

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

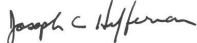
YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

# **City of Novi, Michigan**

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## **Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2006**

**PREPARED BY THE FINANCE DEPARTMENT**

# City of Novi, Michigan

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# City of Novi, Michigan

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September 30, 2006

Honorable Mayor David Landry  
Members of the City Council  
Citizens of the City of Novi, Michigan

We are pleased to submit the Comprehensive Annual Financial Report of the City of Novi for the fiscal year ended June 30, 2006. This report is prepared for the purpose of disclosing the City's financial condition to its residents, elected officials and other interested parties. The financial statements contain all disclosures necessary to enable the reader to gain an understanding of the City's financial activities. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the financial information is accurate in all material respects and is presented in a manner designed to present fairly the financial position of the City.

The Comprehensive Annual Financial Report is presented in three sections:

**Introductory Section** - The introductory section includes this letter of transmittal, the City's organizational chart, a list of principal officials and a fund organizational chart, and a reproduction of the City's Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2005 from the Government Finance Officers Association of the United States and Canada.

**Financial Section** - The financial section includes the independent auditor's report on the basic financial statements, management's discussion and analysis, basic financial statements, and combining and individual fund statements and schedules for the City's non-major and fiduciary funds.

**Statistical Section** - The statistical section includes selected financial and demographic data depicting the City's historical trends and other significant information.

The City of Novi has implemented the governmental financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34. In accordance with the new standards, generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

All local units of government within the State of Michigan must comply with the Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, which requires an annual audit of the financial records and transactions of the City by independent certified public accountants. The primary purpose of the auditing requirements of this act is to maintain the confidence of all interested parties in the integrity of the record keeping and financial reporting of local units of government.

Honorable Mayor David Landry  
Members of the City Council  
Citizens of the City of Novi, Michigan

## **Profile of the Government**

The City of Novi, incorporated in 1969, is strategically located in the southwestern portion of vibrant Oakland County. Located just 30 miles northwest of downtown Detroit, the City serves over 50,000 residents and encompasses an area of approximately 32 square miles. Novi is considered a choice community to live and work. A dynamic, growing community, Novi offers an abundance of rolling, wooded acreage, which provides a unique natural backdrop for residential, commercial and industrial land development. Novi is well connected to highway, rail and air transportation routes offering outstanding accessibility.

The City of Novi operates under the Council-Manager form of government. Policy-making and legislative authority are vested in City Council which is presided over by the Mayor, who is elected for a two-year term. The six other Council members are elected for four-year overlapping terms. The City Manager is appointed by City Council. This official heads the administrative branch of city government and directs all city operations, projects and programs.

The City provides a full range of municipal services including police and fire protection; public works, parks, recreational and forestry activities; library services; building inspection; code enforcement and planning and development. In addition to general government activities, the activities of the Economic Development Corporation are reported as a separate component unit of the City. Component units are legally separate entities for which the primary government is financially accountable.

The City of Novi prepares budgets in accordance with the Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended. Under the direction of the City Manager, the Finance Director prepares an initial projection of revenue for the next fiscal year. Spending priorities are then established based upon the City's financial policies and mandated requirements. Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot exceed the appropriated amount) is established by function and category. It takes a five-vote majority to amend the budget.

## **Factors Affecting Financial Condition**

**Local Economy** - Despite the challenging state economy and a global economic downturn, Novi's local economy remains strong as a result of sustained residential and commercial development experienced over the past ten years. Tax base continues to grow annually in Novi at a rate of approximately 7%. The diverse tax mix of residential, manufacturing, office, service and technology and retail-recreational centers reduces Novi's impact of adverse economic cycles and provides a stable environment for new investment.

Honorable Mayor David Landry  
Members of the City Council  
Citizens of the City of Novi, Michigan

**Long-term Financial Planning** - The dependency on sales tax collections in Michigan as the sole source for the state revenue sharing pool injects a degree of instability within this revenue source during periods of economic downturn. On average, state revenue sharing for cities ranges from a low of 5.7 percent of general fund revenues to a high of 45.2 percent with an average of 19 percent. For the fiscal year ended June 30, 2006, Novi's reliance on revenue sharing payments represents 15 percent of total general fund revenues or \$3,728,482. Novi's total revenue sharing payments, which includes both statutory and constitutional, decreased by \$27,971, or less than 1% from the prior fiscal year. There are two ways that local units share in a portion of sales tax revenue. A constitutional portion is distributed to cities, villages and townships based on a community's population. A second portion of sales tax, the statutory portion, is earmarked in state law to provide revenue sharing payments that are subject to annual appropriation. It is this portion that is determined by the Governor and State legislature and can be changed at their discretion. Novi's reliance on this statutory portion of revenue sharing is approximately 12.6 percent of its total annual distribution. The majority of Novi's state revenue payments is constitutional and cannot be eliminated without a vote of the people.

**Cash Management Policies and Practices** - The City complies with Public Act 20 of 1943 and Public Act 367 (as amended) of the State of Michigan in its cash management activities. Idle cash in all funds is invested in certificates of deposit, governmental obligations, bankers' acceptances, bank pooled accounts and commercial paper. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. In the State of Michigan, municipalities are not required to insure all bank deposits; however, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories. The City has an investment policy in accordance with the above statements.

**Risk Management** - Effective July 1, 2003, the City terminated its participation in the Michigan Municipal League general liability and property insurance program and is now insured through the Municipal Insurance Alliance. The City of Novi still continues to participate in the Michigan Municipal League Workers' Compensation Fund which is a group self-insured program which provides workers' disability compensation benefits to injured employees of Fund Members. The Fund is comprised of public employers of the State of Michigan which are authorized and approved under Section 611(2) of the Workers' Disability Compensation Act, PA 317 of 1969, as amended, to enter into agreements to pool their liabilities under the Act for the purpose of qualifying as self-insurers. Additional information on the City of Novi's risk management activity can be found in Note 9 of the notes to the financial statements.

**Pension and Other Postemployment Benefits** - The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all full-time employees of the City. The City's annual required contribution is calculated as a percentage of payroll each year by an independent actuary engaged by MERS. As a matter of policy, the City of Novi fully funds each year's annual required contribution to the pension plan. Effective May 1, 2006 all new administrative employees will no longer be eligible for participation in Novi's defined benefit pension plan. The City will instead contribute 8% of an employee's eligible compensation into a defined contribution plan.

The City of Novi also provides retiree health care benefits to qualifying full-time employees upon retirement, in accordance with labor contracts. Currently, 48 retirees are eligible. Expenditures for retiree health care benefits are recognized as the insurance premiums become due for individuals retired before June 30, 1994. For individuals retiring after June 30, 1994, payments for premiums are recorded in the Retiree Health Care Benefits Expendable Trust Fund. Employer contributions are made annually to this fund and charged as expenditures to individual departmental budgets based on a percentage of wages. All administrative employees hired after May 1, 2006 will be enrolled into a Retiree Health Care Savings Account with a City contribution of \$50 per pay.



Honorable Mayor David Landry  
Members of the City Council  
Citizens of the City of Novi, Michigan

**Awards** - The Government Finance Officers Association (GFOA) awarded a Certificate of Excellence in Financial Reporting to the City of Novi for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. This was the eighth year that the City of Novi has received this prestigious award.

**Acknowledgements** - The preparation of this Comprehensive Annual Financial Report was made possible by the efficient and dedicated service of many individuals. We wish to express our sincere appreciation to each of them. Special thanks to the accounting firm of Plante & Moran, PLLC who made substantial contributions by way of interpretation of recent guidelines and document review. Appreciation is also expressed to the Mayor and City Council members and Clay Pearson, City Manager, for their leadership and support in matters pertaining to the financial affairs of the City.

Respectfully submitted,



Marina Neumaier  
Assistant Finance Director



Kathy A. Smith-Roy  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Novi,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

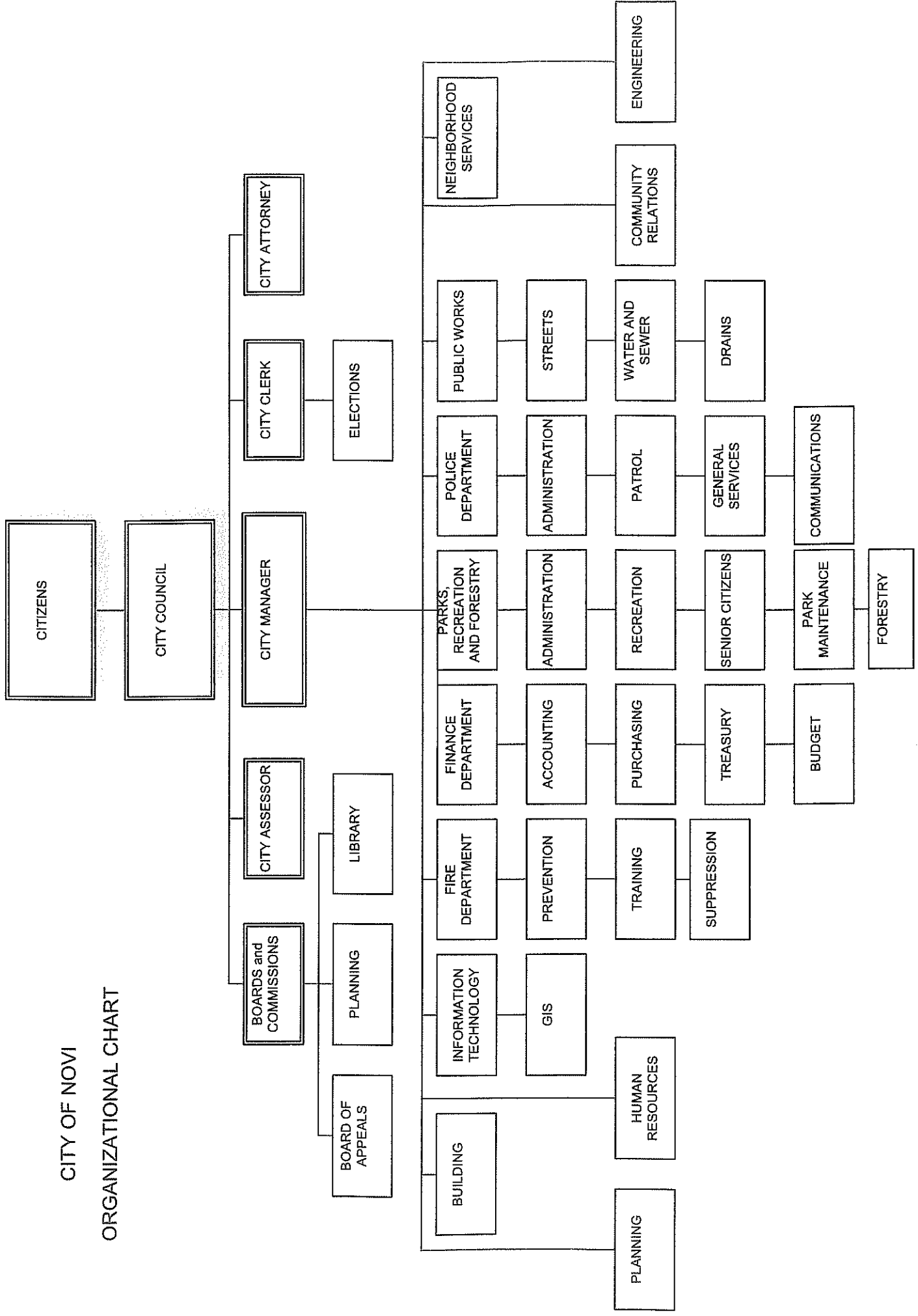
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

# CITY OF NOVI ORGANIZATIONAL CHART



# City of Novi, Michigan

## List of Principal Officials June 30, 2006

Title	Name
City Manager	Clay J. Pearson
Assistant City Manager	Pamela W. Antil
Assessor	David G. Lemmon
City Clerk	Maryanne Cornelius
Deputy City Clerk	Debra A. Blashfield
Director of Human Resources	Tia M. Gronlund-Fox
Community Relations Manager	Sheryl L. Walsh
Director of Public Works	William A. McCusker
Assistant Director of Public Works	Gary C. Clark
Roads and Drains Manager	Timothy Wright
Water and Sewer Manager	Timothy J. Sikma
City Engineer	Robert F. Hayes
Director of Information Technology	Robert L. Petty
GIS Manager	Christopher Blough
Building Official	Donald M. Saven
Deputy Building Official	John H. Hines
City Forester	Steve C. Printz
Fire Chief	Frank Smith
Deputy Fire Chief	Jeffery R. Johnson
Parks, Recreation, and Forestry Director	Randall A. Auler
Deputy Parks, Recreation, and Forestry Director	Jack Lewis
Parks Superintendent	Matthew Wiktorowski
Senior Services Manager	Rachel A. Zagaroli
Police Chief	David E. Molloy
Deputy Police Chief	Thomas C. Lindberg
Library Director	Brenda J. Lussier
Neighborhood Services Coordinator	Cynthia M. Uglow
Planning Director	Barbara E. McBeth
Purchasing Official	Carol Kalinovik
Assistant Finance Director	Marina Neumaier
Assistant City Treasurer	Beverly A. Valente
Senior Financial Manager	Jeffrey D. Hall
Budget/Management Analyst	Robert J. Giacometti
Finance Director/Treasurer	Kathy A. Smith-Roy

# City of Novi, Michigan

## Fund Organization Chart

Governmental Funds	
Fund Name	Special Revenue Funds
General	Major Street
	Local Street
	Municipal Street
Debt Service Funds	Police and Fire
	Parks, Recreation, and Forestry
Special Assessments	Tree Fund
2000 Voted Street	Drain Revenue
2000 Limited Tax Debt Fund	Drain Perpetual Maintenance
2002 Michigan Transportation Fund Refunding Debt	Special Assessment Revolving
1999 Police Debt Fund	Judgment Trust
2003 Refunding Debt Fund	Contributions and Donations
2002 Street and Refunding Debt	Federal Forfeiture Fund
1993 Refunding Debt Fund	Library
	Walker Building
Proprietary Fund - Enterprise Funds	Capital Projects
Ice Arena	2000 Voted Street Construction
Water and Sewer	1997 Fire Capital Improvement
Senior Housing	1999 Police Building Construction
Fiduciary Funds	
Pension and Other Employee Benefit	Agency
Retiree Health Care Benefits	Agency
Component Unit	
Economic Development Corporation	



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## Independent Auditor's Report

To the City Council  
City of Novi, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Novi as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Novi's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, including the discretely presented component unit of the City of Novi as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the City Council  
City of Novi, Michigan

The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Novi's basic financial statements. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory section and statistical tables, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2006 on our consideration of the City of Novi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Plante & Moran, PLLC*

September 27, 2006

# City of Novi, Michigan

## Management's Discussion and Analysis

The City of Novi's (the "City") discussion and analysis is a narrative overview of the City's financial activities for the fiscal year ended June 30, 2006. The information presented here should be read in conjunction with our letter of transmittal, and the financial statements and notes to the financial statements that follow.

### Financial Highlights

- Total assets related to the City's governmental activities exceeded liabilities at June 30, 2006 by \$122,372,102.
- Investment in capital assets (net of depreciation and related debt) account for over half of this amount, with a value of \$71,209,178.
- Of the remaining net assets, \$9,181,892 may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction.
- Net assets related to the City's governmental activities increased by \$12,049,252, or 11 percent during fiscal year 2005-2006. As of June 30, 2006, the City of Novi's governmental funds reported combined ending fund balances of \$43,269,546. Fund balance of the General Fund totaled \$10,513,370 at June 30, 2006, of which \$454,025 was reserved for construction code fees and \$2,817,580 was designated for future expenditures, leaving \$7,307,765 unreserved and undesignated. Unreserved fund balance represents the amount of financial resources available for future spending or appropriation.
- Total direct debt at June 30, 2006 was \$84,554,633.

### Overview of the Financial Statements

This discussion and analysis provides an introduction and overview to the City of Novi's basic financial statements. This information will assist users in interpreting the basic statements. We will also provide other financial discussion and analysis of certain plans, projects, and trends necessary for understanding the full context of the financial condition of the City.

**Basic Financial Statements** - The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and, (3) notes to the financial statements. The financial section of this report also contains required supplemental information, in addition to the basic financial statements.

**Government-wide Financial Statements** - Government-wide financial statements provide readers with a broad overview of the City of Novi's finances in a manner similar to a private-sector business, distinguishing functions of the City that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities").



# City of Novi, Michigan

## Management's Discussion and Analysis (Continued)

The statement of net assets presents information on all of Novi's assets and liabilities, with the difference between the two reported as net assets. This statement serves a purpose similar to that of the balance sheet of a private-sector business and presents a longer-term view of the City's finances. Over time, increases or decreases in net assets can serve as one indicator of the financial position of the City. Other indicators include the condition of the City's infrastructure systems (roads, drainage systems, bridges, etc.), changes in property tax base, and general economic conditions within the City.

The statement of activities presents information showing how the City's net assets changed during the year. This statement separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program). This shows the extent each program relies on taxes for funding. All changes in net assets are reported using the accrual basis of accounting which requires that revenues are reported when they are earned and expenses are reported when incurred. Items such as deferred special assessments and earned but unused employee leave time will be included in the statement of activities as revenue and expense, even though the cash flows associated with these items will be recognized in future fiscal periods.

In accordance with GASB 14, *The Financial Reporting Entity*, the City has identified certain entities as component units in the government-wide financial statements. By virtue of its authority to exercise influence over their operations, the City has included the financial statements of the Economic Development Corporation, which is a discretely presented component unit within the government-wide financial statements.

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Novi, like other state and local governments, establishes funds for compliance with finance-related legal requirements. All of the funds of the City of Novi fall into three categories: governmental funds, proprietary funds, and fiduciary funds. Governmental funds account for most, if not all, of a government's tax-supported functions. Proprietary funds account for a government's business-type activities, whereby all or part of the costs of activities are supported by fees and charges that are paid by those who benefit from the activities. Fiduciary funds account for resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

**Governmental Funds** - The City of Novi maintains 26 individual governmental funds. The governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances present separate columns of financial data for the General Fund and the Municipal Street Fund. These funds are considered major funds as of June 30, 2006. The remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements located in the other supplemental information section of this report.

# City of Novi, Michigan

## Management's Discussion and Analysis (Continued)

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements in comparison to near-term resources available.

Because the measurement focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. The government-wide statements give readers a better understanding of the long-term impact of the government's near-term financing decisions. The governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the governmental activities column in the government-wide statements, facilitating this comparison.

The City of Novi adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund and Municipal Street Fund within the required supplemental information. Budgetary comparisons for other nonmajor governmental funds are presented within the other supplemental section of the report.

**Proprietary Funds** - Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, ice arena, and senior housing activities. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. In comparing the propriety fund statement of net assets to the business-type column on the government-wide statement of net assets, the total net assets agree, and therefore need no reconciliation. In comparing the total assets and total liabilities between the same two statements, you will notice slightly different amounts. This is because the "internal balances" line on the government-wide statement combines the "due from other funds" (asset) and the "due to other funds" (liabilities) from the proprietary fund statement in a single line in the asset section of the government-wide statement.

The proprietary fund financial statements provide separate information for the Water and Sewer Fund, Ice Arena Fund, and the Senior Housing Fund.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Novi's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

# City of Novi, Michigan

## Management's Discussion and Analysis (Continued)

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided, and are an integral part of the government-wide and fund financial statements.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information concerning budgetary comparisons of the General and Municipal Street Fund. The combining statements in connection with nonmajor governmental funds are presented immediately following the required supplemental information.

### Government-wide Financial Analysis

**Statement of Net Assets** - As noted earlier, changes in net assets may serve as a useful indicator of a government's financial position. The City of Novi's assets exceeded total liabilities by \$286,444,414 at the close of June 30, 2006. The following table shows, in a condensed format, the net assets as of June 30, 2006 and 2005.

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current assets	\$ 55,284,920	\$ 53,800,797	\$ 41,167,754	\$ 46,670,855	\$ 96,452,674	\$ 100,471,652
Noncurrent assets:						
Restricted assets	6,761,488	6,090,752	8,933,967	10,463,974	15,695,455	16,554,726
Capital assets	126,130,522	123,251,518	145,235,159	141,383,323	271,365,681	264,634,841
Total assets	188,176,930	183,143,067	195,336,880	198,518,152	383,513,810	381,661,219
<b>Liabilities</b>						
Current liabilities	11,355,025	12,486,337	7,934,935	7,462,729	19,289,960	19,949,066
Long-term liabilities	54,449,803	60,333,880	23,329,633	37,577,959	77,779,436	97,911,839
Total liabilities	65,804,828	72,820,217	31,264,568	45,040,688	97,069,396	117,860,905
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	71,209,178	62,204,015	120,125,526	101,580,364	191,334,704	163,784,379
Restricted	41,981,032	41,242,642	9,233,967	10,763,974	51,214,999	52,006,616
Unrestricted (deficit)	9,181,892	6,876,193	34,712,819	41,133,126	43,894,711	48,009,319
Total net assets	\$ 122,372,102	\$ 110,322,850	\$ 164,072,312	\$ 153,477,464	\$ 286,444,414	\$ 263,800,314

Over 60 percent of the City's net assets reflect its investment in capital, less any related debt used to acquire those assets that are still outstanding. The City's capital assets are used to provide services to citizens. Consequently these assets are not available for future spending. Restricted net assets represent resources that are subject to external restrictions on how they may be used. Unrestricted net assets related to governmental activities of \$9,181,892 represent the amount that may be used to meet the City's ongoing obligations.

# City of Novi, Michigan

## Management's Discussion and Analysis (Continued)

**Changes in Net Assets** - The City's total net assets increased by \$22,644,100 during fiscal year 2005-2006. Governmental activities increased net assets by \$12,049,252, which represents 53 percent of the total growth in net assets for the City of Novi. The General Fund's unrestricted portion of net assets increased by \$2,919,750. Actual General Fund revenues performed better than projected by \$1,360,483. The City of Novi also received an additional \$2,510,604 in drug forfeiture funds as a result of a cooperative effort between the Novi Police Department and the Drug Enforcement Administration. Business-type activities increased net assets by \$10,594,848, which represents 47 percent of the total growth in net assets for the City of Novi. The Water and Sewer Fund accounts for the majority of this increase and is attributable to water and sewer lines contributed by developers and system-connection related fees. Key elements of this increase are shown in the following table.

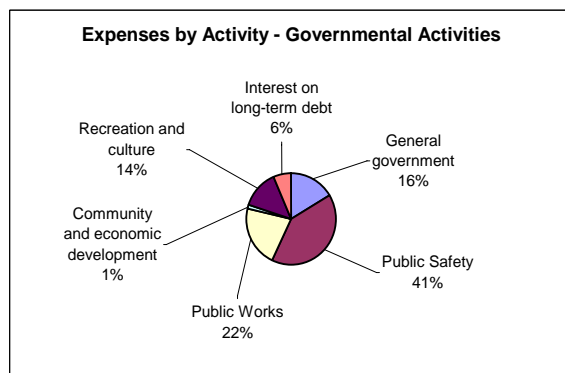
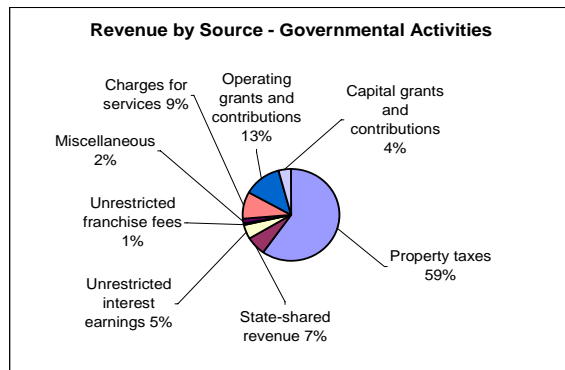
Table 2

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 5,169,973	\$ 5,021,582	\$ 18,112,684	\$ 15,836,434	\$ 23,282,657	\$ 20,858,016
Operating grants and contributions	6,989,196	4,406,610	-	-	6,989,196	4,406,610
Capital grants and contributions	2,287,153	2,171,125	11,439,392	10,305,554	13,726,545	12,476,679
General revenue:						
Taxes	32,741,087	30,565,158	-	-	32,741,087	30,565,158
State-shared revenue	3,728,482	3,756,453	-	-	3,728,482	3,756,453
Unrestricted investment earnings	2,706,553	1,357,939	2,098,954	1,849,517	4,805,507	3,207,456
Franchise fees	301,318	280,416	-	-	301,318	280,416
Other	966,400	691,558	12,476	-	978,876	691,558
Total revenue	54,890,162	48,250,841	31,663,506	27,991,505	86,553,668	76,242,346
<b>Program Expenses</b>						
General government	6,984,091	5,842,870	-	-	6,984,091	5,842,870
Public safety	17,394,448	16,168,230	-	-	17,394,448	16,168,230
Public works	9,247,149	9,168,248	-	-	9,247,149	9,168,248
Community and economic development	629,371	663,232	-	-	629,371	663,232
Recreation and culture	5,893,891	5,020,595	-	-	5,893,891	5,020,595
Interest on long-term debt	2,691,960	2,926,353	-	-	2,691,960	2,926,353
Water and sewer	-	-	17,669,658	16,771,488	17,669,658	16,771,488
Ice arena	-	-	1,736,197	1,734,652	1,736,197	1,734,652
Senior housing	-	-	1,662,803	1,798,915	1,662,803	1,798,915
Total program expenses	42,840,910	39,789,528	21,068,658	20,305,055	63,909,568	60,094,583
<b>Change in Net Assets</b>	12,049,252	8,461,313	10,594,848	7,686,450	22,644,100	16,147,763
<b>Net Assets - Beginning of year</b>	110,322,850	101,861,537	153,477,464	145,791,014	263,800,314	247,652,551
<b>Net Assets - End of year</b>	<u>\$ 122,372,102</u>	<u>\$ 110,322,850</u>	<u>\$ 164,072,312</u>	<u>\$ 153,477,464</u>	<u>\$ 286,444,414</u>	<u>\$ 263,800,314</u>

**Governmental Activities** - Program revenues, which include user fees and charges and restricted operating and capital grants and contributions, represent 26 percent of total governmental revenue sources. Program revenues reduce the net cost of the governmental functions to be financed from the City's general revenues, which are comprised primarily of property taxes and state revenue sharing.

# City of Novi, Michigan

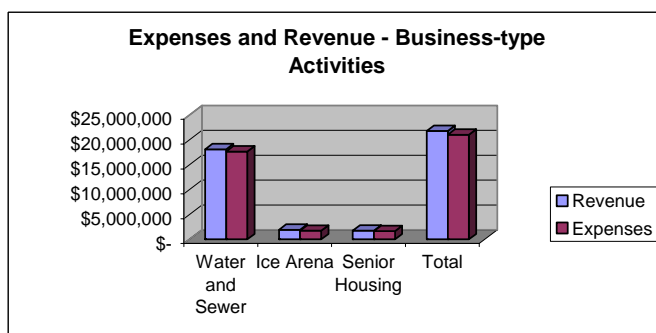
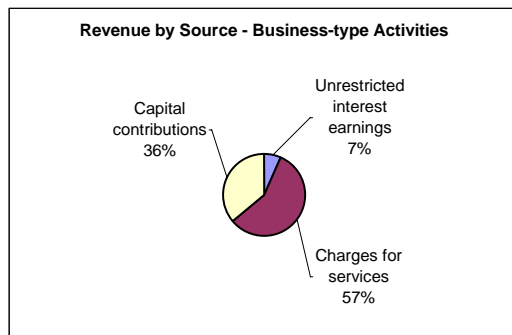
## Management's Discussion and Analysis (Continued)



**Business-type Activities** - Business-type activities increased the City of Novi's net assets by \$10,594,848. The Water and Sewer Fund accounts for the majority of this increase and includes capital contributions of \$11,249,113, which represents water and sewer lines contributed by developers and system-connection related fees (capital contributions are not included within the revenue total as presented in the "Expenses and Revenue - Business-type Activities" graph below).

# City of Novi, Michigan

## Management's Discussion and Analysis (Continued)



### Financial Analysis of the City's Funds

**Governmental Funds** - The City has 26 governmental funds, categorized into four fund types. Each fund type has a unique purpose. Three funds are classified as major funds for the purposes of this report, based on criteria set forth by the Governmental Accounting Standards Board. Those funds are the General Fund and the Municipal Street Fund.

As of June 30, 2006, the governmental funds of the City of Novi reported a combined fund balance of \$43,269,546, an increase of \$4,898,897 in comparison with the prior year. Total income from investments increased by \$1,284,200 and generated total earnings of \$3,735,575 in fiscal year 2005-2006. The City of Novi also received an additional \$2,510,604 during the year in federal drug forfeiture funds.

# City of Novi, Michigan

## Management's Discussion and Analysis (Continued)

**Proprietary Funds** - The City of Novi's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Water and Sewer Fund were \$34,316,974 as of June 30, 2006. The Ice Arena's accumulated deficit was significantly reduced during the year from \$240,454 to \$14,600. This deficit reduction is attributable to a 9 percent increase in ice rental revenue and an additional \$40,000 received during the year from a cellular tower agreement.

### General Fund Budgetary Highlights

The City's budget results for the fiscal year ended June 30, 2005 were even better than anticipated in preparation of the June 30, 2006 budget. As a result, the City Council concluded to enhance the services through budget amendments in the following areas:

**Police Department** - Operations and equipment \$336,000 Department of Public Works: building and equipment improvements \$266,000 Fire Services: added a Fire Protection Officer in January 2006 and increased fire protection services with 24-7 supervisory coverage at Station 2 - \$199,000.

### Capital Asset and Debt Administration

**Capital Assets** - The City of Novi's investment in capital assets, including construction in progress, for its governmental and business-type activities as of June 30, 2006, amounts to \$271,365,681 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, infrastructure, and construction in progress. This reflects an increase in net capital assets of \$6,730,840 during the year.

	Governmental Activities		Business-type Activities		Total Activities	
	2006	2005	2006	2005	2006	2005
Land	\$ 23,805,373	\$ 23,491,551	\$ 2,034,701	\$ 2,034,701	\$ 25,840,074	\$ 25,526,252
Buildings and improvements	14,893,856	14,976,905	18,790,430	19,367,214	33,684,286	34,344,119
Machinery and equipment and library books	4,307,667	3,385,004	560,162	652,320	4,867,829	4,037,324
Infrastructure	83,123,626	81,398,058	112,349,038	109,316,378	195,472,664	190,714,436
Construction in progress	-	-	11,500,828	10,012,710	11,500,828	10,012,710
Total	<u>\$ 126,130,522</u>	<u>\$ 123,251,518</u>	<u>\$ 145,235,159</u>	<u>\$ 141,383,323</u>	<u>\$ 271,365,681</u>	<u>\$ 264,634,841</u>

Additional information on City of Novi's capital assets can be found in Note 6 of this report.

# City of Novi, Michigan

## Management's Discussion and Analysis (Continued)

**Long-term Debt** - The following table is a comparison of the summary information for the fiscal years ended June 30, 2006 and 2005.

	Governmental Activities		Business-type Activities		Total Activities	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 43,750,000	\$ 48,385,000	\$ -	\$ -	\$ 43,750,000	\$ 48,385,000
Michigan transportation fund bonds	1,480,000	1,745,000	-	-	1,480,000	1,745,000
Special assessment debt with government commitment	14,215,000	15,340,000	2,080,000	2,255,000	16,295,000	17,595,000
County contractual obligations	-	-	1,775,000	2,490,000	1,775,000	2,490,000
Installment purchase agreements	-	34,000	-	-	-	34,000
Revenue bonds	-	-	-	13,155,000	-	13,155,000
Building authority bonds	-	-	21,254,633	21,902,959	21,254,633	21,902,959
Total	<u>\$ 59,445,000</u>	<u>\$ 65,504,000</u>	<u>\$ 25,109,633</u>	<u>\$ 39,802,959</u>	<u>\$ 84,554,633</u>	<u>\$ 105,306,959</u>

Additional information on the City's long-term debt can be found in Note 8 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The Budget Plan, as approved in the fiscal year 2006-2007 budget, continues to maintain a minimum of 14 percent of current year's expenditures be set aside for unforeseen emergencies. The estimated revenue by the building department remains strong, which correlates to the continued increase in property tax revenue as a result of the increase in taxable values. The General Fund property tax revenue is estimated at \$15,905,000 for 2006-2007.

The 2006 approved tax millage rate continues to remain at 10.5416 mills. This rate is less than the average millage rate (10.6) for the last seven years and among the lowest municipal millages in Oakland County. Unreserved fund balance in the General Fund is \$10,059,345; of this amount, \$2,751,580 has been designated for subsequent year's expenditures, \$66,000 is designated for an Economic Development position, and \$427,200 has been designated for capital purchases.

### **Requests for Information**

This financial report is designed to provide a general overview of City of Novi's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Finance Department, City of Novi, 45175 W. Ten Mile Road, Novi, MI 48375. You may also visit our website at [www.cityofnovi.org](http://www.cityofnovi.org) or contact the Finance Department directly at 248-347-0465.



# City of Novi, Michigan

## Statement of Net Assets June 30, 2006

	Primary Government			Component Unit - Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 35,314,641	\$ 36,613,865	\$ 71,928,506	\$ 30,732
Accounts receivable:				
Other governmental units	1,829,534	91,840	1,921,374	-
Water and sewer billings	-	2,933,437	2,933,437	-
Taxes	1,195,900	-	1,195,900	-
Special assessments	16,470,041	-	16,470,041	-
Other	185,455	1,712,632	1,898,087	35,000
Internal balances (Note 4)	289,349	(289,349)	-	-
Prepaid and other assets	-	11,640	11,640	-
Inventory	-	93,689	93,689	-
Restricted assets (Note 5)	6,761,488	8,933,967	15,695,455	-
Capital assets - Net (Note 6):				
Depreciable	102,325,149	131,699,630	234,024,779	-
Nondepreciable	23,805,373	13,535,529	37,340,902	-
<b>Total assets</b>	<b>188,176,930</b>	<b>195,336,880</b>	<b>383,513,810</b>	<b>65,732</b>
<b>Liabilities</b>				
Accounts payable	1,805,951	3,600,711	5,406,662	-
Accrued and other liabilities	948,712	439,099	1,387,811	-
Due to other governmental units	-	1,710,004	1,710,004	-
Unearned revenue (Note 7)	216,840	2,787	219,627	-
Receipts refundable	-	334,276	334,276	-
Noncurrent liabilities:				
Bonds payable, due within one year (Note 8)	6,190,000	1,780,000	7,970,000	-
Bonds payable, due in more than one year (Note 8)	53,255,000	23,329,633	76,584,633	-
Employee compensated absences, due within one year (Note 1)	1,313,313	68,058	1,381,371	-
Employee compensated absences, due in more than one year (Note 1)	1,194,803	-	1,194,803	-
Claims and judgments due within one year (Note 9)	880,209	-	880,209	-
<b>Total liabilities</b>	<b>65,804,828</b>	<b>31,264,568</b>	<b>97,069,396</b>	<b>-</b>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	71,209,178	120,125,526	191,334,704	-
Restricted:				
Streets and highways	3,028,996	-	3,028,996	-
Drains	8,502,372	-	8,502,372	-
Debt service	1,491,063	-	1,491,063	-
Special assessments	20,858,908	8,933,967	29,792,875	-
Police and fire	1,931,258	-	1,931,258	-
Federal forfeitures	2,158,770	-	2,158,770	-
Parks, recreation, and forestry	1,322,511	300,000	1,622,511	-
Library	840,158	-	840,158	-
Donations	1,392,971	-	1,392,971	-
Construction code fees (Note 10)	454,025	-	454,025	-
Unrestricted	9,181,892	34,712,819	43,894,711	65,732
<b>Total net assets</b>	<b>\$ 122,372,102</b>	<b>\$ 164,072,312</b>	<b>\$ 286,444,414</b>	<b>\$ 65,732</b>

# City of Novi, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 6,984,091	\$ 70,282	\$ 126,624	\$ -
Public safety	17,394,448	3,197,692	2,646,658	-
Public works	9,247,149	251,505	2,937,380	1,799,661
Community and economic development	629,371	493,403	-	-
Recreation and culture	5,893,891	1,157,091	1,278,534	487,492
Interest on long-term debt	2,691,960	-	-	-
Total governmental activities	42,840,910	5,169,973	6,989,196	2,287,153
Business-type activities:				
Water and sewer	17,669,658	14,413,573	-	11,439,392
Ice arena	1,736,197	1,948,994	-	-
Senior housing	1,662,803	1,750,117	-	-
Total business-type activities	21,068,658	18,112,684	-	11,439,392
Total primary government	<u>\$ 63,909,568</u>	<u>\$ 23,282,657</u>	<u>\$ 6,989,196</u>	<u>\$ 13,726,545</u>
Component unit - Economic Development Corporation	<u>\$ 300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Taxes				
State-shared revenue				
Unrestricted interest earnings				
Unrestricted cable television franchise fees				
Miscellaneous				
Total general revenue				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

**Statement of Activities**  
**Year Ended June 30, 2006**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component
Governmental	Business-type	Total	Unit -
Activities	Activities		Economic
			Development
			Corporation
\$ (6,787,185)	\$ -	\$ (6,787,185)	\$ -
(11,550,098)	-	(11,550,098)	-
(4,258,603)	-	(4,258,603)	-
(135,968)	-	(135,968)	-
(2,970,774)	-	(2,970,774)	-
(2,691,960)	-	(2,691,960)	-
(28,394,588)	-	(28,394,588)	-
-	8,183,307	8,183,307	-
-	212,797	212,797	-
-	87,314	87,314	-
-	8,483,418	8,483,418	-
(28,394,588)	8,483,418	(19,911,170)	-
-	-	-	(300)
32,741,087	-	32,741,087	-
3,728,482	-	3,728,482	-
2,706,553	2,098,954	4,805,507	1,182
301,318	-	301,318	-
966,400	12,476	978,876	-
40,443,840	2,111,430	42,555,270	1,182
12,049,252	10,594,848	22,644,100	882
110,322,850	153,477,464	263,800,314	64,850
<b>\$ 122,372,102</b>	<b>\$ 164,072,312</b>	<b>\$ 286,444,414</b>	<b>\$ 65,732</b>

# City of Novi, Michigan

## Governmental Funds Balance Sheet June 30, 2006

	General Fund	Municipal Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments (Note 3)	\$ 8,945,895	\$ 635,324	\$ 25,733,422	\$ 35,314,641
Accounts receivable:				
Other governmental units	1,219,394	4,180	605,960	1,829,534
Taxes	661,027	76,648	458,225	1,195,900
Special assessments	-	14,879,377	640,539	15,519,916
Other	127,195	-	58,260	185,455
Due from other funds (Note 4)	289,349	-	4,404	293,753
Restricted assets (Note 5)	-	2,722,090	4,039,398	6,761,488
Total assets	<u>\$ 11,242,860</u>	<u>\$ 18,317,619</u>	<u>\$ 31,540,208</u>	<u>\$ 61,100,687</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 395,280	\$ 38,119	\$ 1,372,552	\$ 1,805,951
Accrued and other liabilities	283,895	-	135	284,030
Due to other funds (Note 4)	-	-	4,404	4,404
Deferred revenue (Note 7)	50,315	14,879,377	807,064	15,736,756
Total liabilities	729,490	14,917,496	2,184,155	17,831,141
<b>Fund Balances</b>				
Reserved for:				
Construction code fees (Note 10)	454,025	-	-	454,025
Restricted assets	-	2,722,090	4,009,873	6,731,963
Unreserved, reported in:				
General Fund - Designated (Note 11)	2,751,580	-	-	2,751,580
General Fund - Undesignated	7,307,765	-	-	7,307,765
Special Revenue Funds - Designated (Note 11)	-	33,238	1,898,729	1,931,967
Special Revenue Funds - Undesignated	-	644,795	17,432,732	18,077,527
Debt Service Funds - Undesignated	-	-	1,491,063	1,491,063
Capital Projects Funds - Undesignated	-	-	4,523,656	4,523,656
Total fund balances	<u>10,513,370</u>	<u>3,400,123</u>	<u>29,356,053</u>	<u>43,269,546</u>
Total liabilities and fund balances	<u>\$ 11,242,860</u>	<u>\$ 18,317,619</u>	<u>\$ 31,540,208</u>	<u>\$ 61,100,687</u>

# City of Novi, Michigan

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## Governmental Funds Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets June 30, 2006

<b>Total Fund Balances of Governmental Funds</b>	\$ 43,269,546
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	126,130,522
Special assessment receivables are expected to be collected over several years, and are not available to pay for current year expenditures (including \$950,125 of accrued interest on special assessments)	16,470,041
Bonds, obligations, and agreements are not due and payable in the current period and are not reported in the funds	(59,445,000)
Compensated absences are not due and payable in the current period and are not reported in the funds	(2,508,116)
Estimated general liability claims are not due and payable in the current period and are not reported in the funds	(880,209)
Interest related to long-term debt is not due and payable in the current period and is not reported in the funds	(664,682)

<b>Net Assets of Governmental Activities</b>	<b><u>\$ 122,372,102</u></b>
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# City of Novi, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2006

	General Fund	Municipal Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>				
Taxes	\$ 14,650,649	\$ 2,378,893	\$ 15,711,545	\$ 32,741,087
Licenses, permits, and charges for services	3,835,567	-	-	3,835,567
Federal grants	108,661	-	329,295	437,956
State sources	3,755,875	-	3,320,111	7,075,986
Special assessments	-	1,142,023	129,755	1,271,778
Fines and forfeitures	460,284	-	2,610,059	3,070,343
Interest income	1,283,217	1,155,623	1,296,735	3,735,575
Recreational programs	-	-	918,047	918,047
Donations	-	-	340,147	340,147
Other revenue	898,856	88,003	1,539,792	2,526,651
Total revenue	24,993,109	4,764,542	26,195,486	55,953,137
<b>Expenditures</b>				
Current services:				
City Council	6,714	-	-	6,714
City manager	405,829	-	-	405,829
Finance	721,668	-	-	721,668
Information technology	453,963	-	-	453,963
Assessing	660,643	-	-	660,643
City attorney	393,687	-	-	393,687
City clerk	485,907	-	-	485,907
Treasury	260,768	-	-	260,768
Buildings and grounds	648,426	-	-	648,426
Community relations	293,175	-	-	293,175
General administration	1,701,550	-	7,086	1,708,636
Police department	10,248,128	-	-	10,248,128
Fire department	4,707,555	-	-	4,707,555
Building department	1,746,988	-	-	1,746,988
Neighborhood services	449,562	-	-	449,562
Department of Public Works	961,073	-	-	961,073
Engineering	277,607	-	-	277,607
Planning Commission	1,034	-	-	1,034
Planning	621,035	-	-	621,035
Construction	-	894,564	6,360,019	7,254,583
Street maintenance	-	447,344	2,243,748	2,691,092
Drain maintenance	-	-	490,658	490,658
Recreational programs	-	-	1,912,578	1,912,578
Forestry and park maintenance	-	-	1,485,440	1,485,440
Library programs	-	-	2,313,923	2,313,923
Other	-	-	353,060	353,060
Capital outlay	-	-	691,316	691,316
Debt service	34,816	1,836,488	6,937,888	8,809,192
Total expenditures	25,080,128	3,178,396	22,795,716	51,054,240
<b>Excess of Revenue Over (Under) Expenditures</b>	(87,019)	1,586,146	3,399,770	4,898,897

# City of Novi, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Continued) Year Ended June 30, 2006

	General Fund	Municipal Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses)</b>				
Transfers in (Note 4)	\$ 4,514,227	\$ -	\$ 4,901,771	\$ 9,415,998
Transfers out (Note 4)	<u>(1,118,175)</u>	<u>(1,850,000)</u>	<u>(6,447,823)</u>	<u>(9,415,998)</u>
Total other financing sources (uses)	<u>3,396,052</u>	<u>(1,850,000)</u>	<u>(1,546,052)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	3,309,033	(263,854)	1,853,718	4,898,897
<b>Fund Balances - Beginning of year</b>	<u>7,204,337</u>	<u>3,663,977</u>	<u>27,502,335</u>	<u>38,370,649</u>
<b>Fund Balances - End of year</b>	<u><u>\$ 10,513,370</u></u>	<u><u>\$ 3,400,123</u></u>	<u><u>\$ 29,356,053</u></u>	<u><u>\$ 43,269,546</u></u>

# City of Novi, Michigan

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## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2006**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>4,898,897</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation		2,865,880
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets		13,124
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Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end		(1,076,099)
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Repayment of bond principal is recorded as an expenditure in the governmental funds, but not in the statement of activities (where these transactions are recorded as a reduction of a liability)		6,059,000
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Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities		(129,746)
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Increase in estimated general liability is recorded when paid in the governmental funds		(640,036)
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Interest accrued on long-term debt is an expenditure in the statement of activities, but not in the governmental funds		58,232
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<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>12,049,252</u></b>
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# City of Novi, Michigan

## Proprietary Funds Statement of Net Assets (Deficit) June 30, 2006

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Fund
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 35,217,886	\$ 53,877	\$ 1,342,102	\$ 36,613,865
Accounts receivable:				
Water and sewer billing	2,933,437	-	-	2,933,437
Other	1,631,444	15,623	65,565	1,712,632
Due from other governmental units	91,840	-	-	91,840
Prepaid expense	-	1,208	10,432	11,640
Inventory	89,893	3,796	-	93,689
Total current assets	39,964,500	74,504	1,418,099	41,457,103
Noncurrent assets:				
Restricted assets (Note 5)	8,933,967	-	-	8,933,967
Capital assets (Note 6)	124,223,745	7,441,530	13,569,884	145,235,159
Total noncurrent assets	133,157,712	7,441,530	13,569,884	154,169,126
Total assets	173,122,212	7,516,034	14,987,983	195,626,229
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	3,497,338	63,874	39,499	3,600,711
Accrued and other liabilities	105,908	85,522	315,727	507,157
Due to other funds (Note 4)	-	289,349	-	289,349
Due to other governmental units	1,710,004	-	-	1,710,004
Deferred revenue	-	-	2,787	2,787
Receipts refundable	334,276	-	-	334,276
Current portion of long-term liabilities (Note 8)	1,025,000	310,000	445,000	1,780,000
Total current liabilities	6,672,526	748,745	803,013	8,224,284
Noncurrent liabilities - Long-term debt - Net of deferred amount on refunding	2,830,000	6,781,889	13,717,744	23,329,633
Total liabilities	9,502,526	7,530,634	14,520,757	31,553,917
<b>Net Assets (Deficit)</b>				
Invested in capital assets - Net of related debt	120,368,745	349,641	(592,860)	120,125,526
Restricted for:				
Special assessments	8,933,967	-	-	8,933,967
Replacement reserve	-	-	300,000	300,000
Unrestricted (deficit)	34,316,974	(364,241)	760,086	34,712,819
Total net assets (deficit)	\$ 163,619,686	\$ (14,600)	\$ 467,226	\$ 164,072,312

# City of Novi, Michigan

## Proprietary Funds

### Statement of Revenue, Expenses, and Changes in Net Assets (Deficit)

### Year Ended June 30, 2006

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Fund
<b>Operating Revenue</b>				
Water sales	\$ 7,288,607	\$ -	\$ -	\$ 7,288,607
Sewer service charges	5,727,393	-	-	5,727,393
Concession sales	-	122,478	-	122,478
Rentals and other charges for services	-	1,720,912	1,726,616	3,447,528
Penalties	125,202	-	-	125,202
Inspection fees	18,690	-	-	18,690
Installation charges	996,429	-	-	996,429
Miscellaneous revenue	257,252	118,080	23,501	398,833
	<u>14,413,573</u>	<u>1,961,470</u>	<u>1,750,117</u>	<u>18,125,160</u>
Total operating revenue				
<b>Operating Expenses</b>				
Cost of water	5,886,786	-	-	5,886,786
Cost of sewage disposal	5,171,835	-	-	5,171,835
Cost of goods sold	-	57,656	-	57,656
Salaries and fringe benefits	1,056,528	-	-	1,056,528
Contractual services	36,596	498,110	203,316	738,022
Management contract	-	120,190	47,424	167,614
Municipal service charges	318,000	-	-	318,000
Depreciation	3,088,713	255,803	359,318	3,703,834
Repairs and maintenance	226,220	81,888	166,710	474,818
Utilities	12,684	253,755	107,009	373,448
Insurance	17,582	15,009	23,462	56,053
Office supplies	19,804	7,263	7,100	34,167
Advertising	-	5,491	2,065	7,556
Professional services	302,036	3,116	2,588	307,740
Operating supplies	29,988	14,332	10,706	55,026
Installation expenses	799,764	-	-	799,764
Vehicle expenses	54,323	-	-	54,323
Education and training	4,944	1,330	633	6,907
Recreational programs	-	66,201	-	66,201
Miscellaneous expenses	31,440	12,132	3,928	47,500
	<u>17,057,243</u>	<u>1,392,276</u>	<u>934,259</u>	<u>19,383,778</u>
Total operating expenses				
<b>Operating Income (Loss)</b>	(2,643,670)	569,194	815,858	(1,258,618)

# City of Novi, Michigan

## **Proprietary Funds** **Statement of Revenue, Expenses, and Changes in Net Assets (Deficit)** **(Continued)** **Year Ended June 30, 2006**

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Fund
<b>Nonoperating Income (Expense)</b>				
Interest earned	\$ 2,222,974	\$ 581	\$ 65,678	\$ 2,289,233
Interest expense	(612,415)	(343,921)	(728,544)	(1,684,880)
Total nonoperating income (expense)	<u>1,610,559</u>	<u>(343,340)</u>	<u>(662,866)</u>	<u>604,353</u>
<b>Nonoperating Income (Loss) - Before capital contributions</b>	(1,033,111)	225,854	152,992	(654,265)
<b>Capital Contributions</b>				
Donated water and sewer lines	4,578,176	-	-	4,578,176
Customer assessments	6,420,437	-	-	6,420,437
Special assessments	250,500	-	-	250,500
Total capital contributions	<u>11,249,113</u>	<u>-</u>	<u>-</u>	<u>11,249,113</u>
<b>Change in Net Assets</b>	10,216,002	225,854	152,992	10,594,848
<b>Net Assets (Deficit) - Beginning of year</b>	<u>153,403,684</u>	<u>(240,454)</u>	<u>314,234</u>	<u>153,477,464</u>
<b>Net Assets (Deficit) - End of year</b>	<u><u>\$ 163,619,686</u></u>	<u><u>\$ (14,600)</u></u>	<u><u>\$ 467,226</u></u>	<u><u>\$ 164,072,312</u></u>

# City of Novi, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2006

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Fund
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 13,643,755	\$ 1,860,090	\$ 1,705,899	\$ 17,209,744
Payments to suppliers	(12,487,966)	(1,097,011)	(566,090)	(14,151,067)
Payments to employees	(1,056,528)	-	-	(1,056,528)
Payments from other governmental units	(91,840)	-	-	(91,840)
Payments to other governmental units	656,020	-	-	656,020
Other receipts	257,252	118,080	23,501	398,833
Net cash provided by operating activities	920,693	881,159	1,163,310	2,965,162
<b>Cash Flows from Noncapital Financing Activities - Internal activity -</b>				
Payments to other funds	-	(292,911)	-	(292,911)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Collection of customer assessments (principal and interest)	6,881,276	-	-	6,881,276
Purchase of capital assets	(2,950,525)	(18,171)	(8,798)	(2,977,494)
Principal and interest paid on capital debt	(14,979,458)	(578,818)	(1,110,940)	(16,669,216)
Net cash used in capital and related financing activities	(11,048,707)	(596,989)	(1,119,738)	(12,765,434)
<b>Cash Flows from Investing Activities - Interest received on investments</b>	2,222,974	581	65,678	2,289,233
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(7,905,040)	(8,160)	109,250	(7,803,950)
<b>Cash and Cash Equivalents - Beginning of year</b>	48,524,817	62,037	1,232,852	49,819,706
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 40,619,777</b>	<b>\$ 53,877</b>	<b>\$ 1,342,102</b>	<b>\$ 42,015,756</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>				
Cash and investments	\$ 35,217,886	\$ 53,877	\$ 1,342,102	\$ 36,613,865
Restricted investments (Note 5)	5,401,891	-	-	5,401,891
Total cash and cash equivalents	<b>\$ 40,619,777</b>	<b>\$ 53,877</b>	<b>\$ 1,342,102</b>	<b>\$ 42,015,756</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ (2,643,670)	\$ 569,194	\$ 815,858	\$ (1,258,618)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	3,088,713	255,803	359,318	3,703,834
Changes in assets and liabilities:				
Receivables	(562,291)	(8,648)	(22,730)	(593,669)
Inventory	2,837	(337)	-	2,500
Other assets	-	(829)	(4,432)	(5,261)
Accounts payable	421,199	33,650	14,569	469,418
Accrued and other liabilities	49,725	32,326	727	82,778
Due to other governmental units	564,180	-	-	564,180
Net cash provided by operating activities	<b>\$ 920,693</b>	<b>\$ 881,159</b>	<b>\$ 1,163,310</b>	<b>\$ 2,965,162</b>

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2006, developers constructed water and sewer lines with an estimated value of \$4,578,176 and donated them to the City. In addition, the City has funds on deposit with both Wayne County and Oakland County for the construction of water and sewer lines. During the year, \$5,346 of interest was earned on these funds.

# City of Novi, Michigan

## Fiduciary Funds Statement of Net Assets June 30, 2006

	Pension and Other Employee Benefits - Retiree Health Care Benefits	Agency
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 99,792	\$ 7,997,850
U.S. government securities	1,187,333	2,150,000
Bank investment pools	1,314,056	2,769,955
Mutual funds	2,399,026	-
Total assets	5,000,207	<u><u>\$ 12,917,805</u></u>
<b>Liabilities</b>		
Due to builders and developers	-	\$ 12,839,756
Due to school and other governmental units	-	78,049
Total liabilities	-	<u><u>\$ 12,917,805</u></u>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<u><u>\$ 5,000,207</u></u>	

# City of Novi, Michigan

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## **Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2006**

	Pension and Other Employee Benefits - Retiree Health Care Benefits
<b>Additions</b>	
Investment income - Net increase in fair value of investments	\$ 231,382
Contributions - Employer	<u>1,020,277</u>
Total additions	1,251,659
<b>Deductions</b> - Insurance expenses	<u>238,341</u>
<b>Change in Net Assets</b>	1,013,318
<b>Net Assets</b> - Beginning of year	<u>3,986,889</u>
<b>Net Assets</b> - End of year	<u><u>\$ 5,000,207</u></u>

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the City of Novi (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Novi:

#### **Reporting Entity**

The City is governed by an elected seven-member City Council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Novi and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

**Discretely Presented Component Unit** - The Economic Development Corporation of the City of Novi was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body is selected by the City Council, and therefore, the City has the ability to impose its will on the Corporation. The Corporation is reported within the component unit column in the combined financial statements. It is reported in a separate column to emphasize that it is legally separate from the City. A separate financial report for the Economic Development Corporation may be obtained from the finance department located at the City of Novi Civic Center, 45175 W. Ten Mile Road, Novi, MI 48375.

**Blended Component Unit** - The City of Novi Building Authority is governed by a council that is appointed by the mayor. Although it is legally separate from the City, it is reported as if it were part of the primary government because its sole purpose is to finance the City's ice arena and senior housing project.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

### **Note I - Summary of Significant Accounting Policies (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue. This also includes unrestricted franchise fees that result from cable television fees, not a program of the City.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to debt service compensated absences, and claims and judgments are recorded only when payment is due.



### **Note I - Summary of Significant Accounting Policies (Continued)**

Property taxes, franchise taxes, licenses, state-shared revenue (which is unrestricted), and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the City.

The City reports the following major governmental funds:

**General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Municipal Street Fund** - The Municipal Street Fund is used to enhance the Major and Local Street Funds. This fund receives its revenue pursuant to a special millage as designated by charter for street and highway improvement purposes.

The City reports the following major proprietary funds:

**Water and Sewer Fund** - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

**Ice Arena Fund** - The Ice Arena Fund accounts for the City's two-sheet arena.

**Senior Housing Fund** - The Senior Housing Fund accounts for the 175-unit senior housing project, financed using the Building Authority approach.

Additionally, the City reports the following fiduciary fund types:

**Retiree Health Care Benefits Fund** - The Retiree Health Care Benefits Fund accounts for medical benefits provided to retirees.

**Agency Fund** - The Agency Fund accounts for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or funds. It primarily holds deposits from builders and developers and tax remittances due to schools and other governmental units.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. General revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services, such as water and sewer distribution and collection, recreational services, and senior housing in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Assets, Liabilities, and Net Assets or Equity**

**Cash and Investments** - Cash and investments include amounts in demand deposits, time deposits, U.S. governmental securities, interlocal agreements, bank investment pools, and mutual funds. Investments are reported at fair value, based on quoted market prices.

**Cash Equivalents** - For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and personal property tax receivables are shown as net of allowance for uncollectible amounts, if applicable.

**Property Tax Revenue** - Properties are assessed as of December 31; the related property taxes are billed and become a lien on July 1 of the following year. These taxes are due without penalty during the period from July 1 through August 31 with the final collection date of February 28 before they are added to the county tax rolls. The County Tax Revolving Fund reimburses the City for the real property portion of these taxes and assumes collection responsibilities.

The 2005 taxable valuation of the City totaled approximately \$3.1 billion and is used for the July 1, 2005 tax bills; this resulted in property tax revenue as follows:

Purpose	Mills Levied	Approximate Revenue
City operating millage	4.6802	\$ 14,650,000
Police and fire supplemental millage	1.4282	4,402,000
Parks and recreation operations	0.3857	1,189,000
Library operations	0.7719	2,387,000
Drain maintenance operations	0.5105	1,572,000
Street maintenance operations	0.7719	2,379,000
Debt levies for streets, fire station, and refunding debt	1.9932	6,161,000

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

### Note I - Summary of Significant Accounting Policies (Continued)

**Restricted Assets** - The City has specific assets held at Wayne County and Oakland County for various water and sewer system-related contracts classified as restricted assets on the balance sheet because the City has turned over control of these assets to the counties based on specific contracts with them. The City has also classified as restricted assets those amounts due from special assessment contracts with property owners for water and sewer system and road construction and related debt payments due to the restricted nature of these funds once they are received.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

Roads, sidewalks, bridges, and nonmotorized improvements	25 to 30 years
Drains	25 years
Water and sewer distribution systems	50 years
Buildings and building improvements	35 to 50 years
Machinery and equipment	4 to 10 years
Library books	10 years

**Compensated Absences** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. This liability has typically been charged to operations in the General, Parks, Recreation and Forestry, and Library Funds in prior years.

### Note 1 - Summary of Significant Accounting Policies (Continued)

The City's liability for compensated absences at June 30, 2006 consisted of the following:

	Governmental Activities	Business-type Activities	Total
Due within one year	\$ 1,313,313	\$ 68,058	\$ 1,381,371
Due in more than one year	1,194,803	-	1,194,803
Total compensated absences	<u>\$ 2,508,116</u>	<u>\$ 68,058</u>	<u>\$ 2,576,174</u>

Changes in the liability for compensated absences are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities	\$ 2,378,370	\$ 2,176,913	\$ (2,047,167)	\$ 2,508,116
Business-type activities	61,370	62,739	(56,051)	68,058
Total compensated absences	<u>\$ 2,439,740</u>	<u>\$ 2,239,652</u>	<u>\$ (2,103,218)</u>	<u>\$ 2,576,174</u>

**Claims and Judgments** - The liability for claims and judgments has typically been charged to operations in the Judgment Trust and General Funds in prior years.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Note 2 - Stewardship, Compliance, and Accountability**

**Fund Deficit** - The Ice Arena has an accumulated deficit of \$14,600 as of June 30, 2006. This deficit, as well as the interfund payable to the General Fund, will be eliminated in the future through a transfer from the General Fund, and additional revenue from a cellular tower agreement with Global Signal entered into by the City during fiscal year 2005-2006. This agreement generated \$74,320 for the ice arena for the year ended June 30, 2006.

### **Note 3 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Retiree Health Care Benefits Fund is also authorized by Michigan Public Act 149 of 1999, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

### Note 3 - Deposits and Investments (Continued)

The City has approved 17 banks for the deposit of its funds according to its investment policy. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, and all other instruments allowed by the State as listed above. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

#### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk of deposits. At year end, the City had \$52,381,042 of bank deposits (certificates of deposit, checking, savings and money market accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk of investments. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name:

Type of Investment	Carrying Value	How Held
U.S. government and agency securities	\$ 8,092,875	Counterparty

### Note 3 - Deposits and Investments (Continued)

#### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Commercial paper	\$ 2,000,448	2 months
U.S. government and agency securities:		
T-Notes	2,301,000	3 months
Federal Home Loan Mortgage Corporation	3,494,875	3.25 years
Fannie Mae	2,400,000	4 years
Federal Home Loan Banks	17,254,416	4 years
Freddie Mac	1,000,000	7 years
Federal Farm Credit Banks	219,890	2 months

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
U.S. government agency securities	\$ 24,369,181	AAA	S&P
Bank investment pool:			
Ambassador	1,069,004	AAAA-VI	Fitch
Federated	5,377,580	AAA	S&P
Bank investment pools	7,686,015		Not rated
Commercial paper	2,000,448	AI + PI	S&P



### Note 3 - Deposits and Investments (Continued)

#### Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has more than 5 percent of its investments in the following:

U.S. government agencies:	
Federal Home Loan Banks	40.31%
Federal Home Loan Mortgage Corporation	8.16%
Fannie Mae	5.61%

### Note 4 - Interfund Receivables, Payables, and Transfers

The following is a summary of the interfund receivables at June 30, 2006:

Fund Due To	Fund Due From	Amount
General Fund	Ice Arena Fund	\$ 289,349
Local Street Fund	Major Street Fund	4,404
	Total interfund receivables	<u>\$ 293,753</u>

The balance due to the General Fund comprises funds used for the payment of nonoperating expenses at the ice arena. The balance due to the Local Street Fund represents the amount of state source revenues to be transferred at fiscal year end.

Interfund transfers consist of the following:

Transfer of property taxes collected by the Police and Fire Fund to the General Fund, where police and fire salaries are reported	\$ 4,425,000
Transfers of resources related to street expenditures (certain funds account for resources that are intended to be spent in other funds):	
Transfer from Major Street Fund to Local Street Fund	548,030
Transfer from Major Street Fund to 2002 Michigan Transportation Refunding Debt Fund	116,179
Transfer from Municipal Street Fund to Major Street Fund	1,100,000
Transfer from Municipal Street Fund to Local Street Fund	750,000
Transfer of unrestricted General Fund resources to fund the parks and recreation programs	620,000
Transfer of unrestricted General Fund resources to the Judgment Trust Fund	250,000
Transfer from General Fund to fund debt service of the 2000 Limited Tax Debt Fund	248,175
Transfer of contributions recorded in the Contributions and Donations Fund to fund the parks and recreation programs	11,000
Transfer of federal forfeiture funds to the General Fund where police salary expenses related to forfeiture investigations are reported	89,227
Transfer from Federal Forfeiture Fund to 1999 Police Debt Fund	542,000
Transfer from Federal Forfeiture Fund to 1999 Police Building Construction Fund	658,000
Transfer from 1997 Fire Capital Improvement Fund to 2002 Street and Refunding Debt Fund	58,387
Total interfund transfers	<u>\$ 9,415,998</u>

### Note 5 - Restricted Assets and Reserves

#### Governmental Activities

Following is the detail of the governmental activities restricted assets at June 30, 2006:

##### Special Revenue Funds:

Cash and investments restricted for special assessments	\$ 5,351,601
Cash and investments restricted for contributions and donations	<u>1,409,887</u>
Total Special Revenue Funds	<u>\$ 6,761,488</u>

#### Business-type Activities

Specific assets of the business-type activities have been restricted by City ordinances, contracts with Oakland County, and special assessment contracts with property owners for water and sewer system construction and related debt payments.

Following is the detail of the business-type activities restricted assets at June 30, 2006:

Water and Sewer Fund - Cash and investments restricted for special assessments	\$ 5,401,891
Special assessments receivable	3,458,472
Net assets held by county:	
North Huron Valley/Rouge Valley	60,535
Huron-Rouge S.D.S., Walled Lake Arm Waste Water Treatment Plant	<u>13,069</u>
Net assets restricted in Water and Sewer Fund	<u>\$ 8,933,967</u>

### Note 6 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
<b>Governmental Activities</b>				
Capital assets not being depreciated -				
Land	\$ 23,491,551	\$ 427,322	\$ 113,500	\$ 23,805,373
Capital assets being depreciated:				
Roads	100,431,730	4,221,886	-	104,653,616
Nonmotorized pathway improvements	3,164,825	150,055	-	3,314,880
Bridges	1,436,879	470,782	-	1,907,661
Drains	18,933,462	1,987,119	-	20,920,581
Buildings and improvements	23,554,713	633,735	7,000	24,181,448
Machinery and equipment	8,738,948	1,444,046	338,641	9,844,353
Library books	3,938,100	386,160	239,640	4,084,620
Subtotal	160,198,657	9,293,783	585,281	168,907,159
Accumulated depreciation:				
Roads	31,892,347	4,080,620	-	35,972,967
Nonmotorized pathway improvements	1,047,908	110,526	-	1,158,434
Bridges	262,194	76,306	-	338,500
Drains	9,366,389	836,822	-	10,203,211
Buildings and improvements	8,690,054	604,538	7,000	9,287,592
Machinery and equipment	6,883,559	816,987	338,641	7,361,905
Library books	2,296,239	202,802	239,640	2,259,401
Subtotal	60,438,690	6,728,601	585,281	66,582,010
Net capital assets being depreciated	99,759,967	2,565,182	-	102,325,149
Net capital assets	\$ 123,251,518	\$ 2,992,504	\$ 113,500	\$ 126,130,522

### Note 6 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets not being depreciated:				
Land	\$ 2,034,701	\$ -	\$ -	\$ 2,034,701
Construction in progress	10,012,710	3,072,296	1,584,178	11,500,828
Subtotal	12,047,411	3,072,296	1,584,178	13,535,529
Capital assets being depreciated:				
Water and sewer distribution systems	143,940,420	6,032,539	-	149,972,959
Buildings and building improvements	23,084,954	18,171	-	23,103,125
Machinery and equipment	1,750,324	16,842	-	1,767,166
Subtotal	168,775,698	6,067,552	-	174,843,250
Accumulated depreciation:				
Water and sewer distribution systems	34,624,042	2,999,879	-	37,623,921
Buildings and building improvements	3,717,740	594,955	-	4,312,695
Machinery and equipment	1,098,004	109,000	-	1,207,004
Subtotal	39,439,786	3,703,834	-	43,143,620
Net capital assets being depreciated	129,335,912	2,363,718	-	131,699,630
Net capital assets	\$ 141,383,323	\$ 5,436,014	\$ 1,584,178	\$ 145,235,159

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 184,753
Public safety	754,296
Public works	5,346,406
Recreation and culture	443,146
Total governmental activities	<u>\$ 6,728,601</u>
Business-type activities:	
Water and sewer	\$ 3,088,713
Ice arena	255,803
Senior housing	359,318
Total business-type activities	<u>\$ 3,703,834</u>

### Note 6 - Capital Assets (Continued)

**Construction Commitments** - The City of Novi has active construction projects as of June 30, 2006. At year end, the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Street construction	\$ 3,187,348	\$ 75,562
Sewer projects	1,419,300	258,047
Water mains	1,685,462	1,034,683
Detention basins	1,650,601	149,329
Lake dredging	883,365	370,462
Parking lots	60,611	4,749
Total	<u>\$ 8,886,687</u>	<u>\$ 1,892,832</u>

### Note 7 - Receivables

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Special assessments	\$ 15,519,916	\$ -
Recreation fees and other	<u>-</u>	<u>216,840</u>
Total	<u>\$ 15,519,916</u>	<u>\$ 216,840</u>

### Note 8 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
General Obligation Bonds:							
1993 Unlimited Tax Refunding Bonds							
Amount of issue - \$10,230,000							
Maturing through 2009	5.00% - 5.25%	\$740,000 - \$1,350,000	\$ 5,620,000	\$ -	\$ (1,100,000)	\$ 4,520,000	\$ 1,110,000
1999 Unlimited Tax Police Station Bonds							
Amount of issue - \$3,500,000							
Maturing through 2018	4.10% - 5.10%	\$150,000 - \$300,000	2,950,000	-	(150,000)	2,800,000	150,000
2001 Tax Road Bonds							
Amount of issue - \$10,000,000							
Maturing through 2015	3.80% - 4.50%	\$550,000 - \$1,100,000	8,950,000	-	(525,000)	8,425,000	550,000
2002 Limited Tax Bonds							
Amount of issue - \$2,000,000							
Maturing through 2012	\$4.00% - 5.00%	\$175,000 - \$275,000	1,700,000	-	(175,000)	1,525,000	175,000
2002 Street and Refunding Bonds							
Amount of issue - \$24,720,000							
Maturing through 2017	3.00% - 5.25%	\$595,000 - \$3,740,000	22,715,000	-	(2,110,000)	20,605,000	2,150,000
2003 Unlimited Tax Refunding Bonds							
Amount of issue - \$6,565,000							
Maturing through 2011	2.00% - 3.50%	\$665,000 - \$1,000,000	6,450,000	-	(575,000)	5,875,000	665,000
2002 Michigan Transportation Fund Refunding Bonds							
Amount of issue - \$2,280,000							
Maturing through 2009	3.00% - 3.50%	\$265,000 - \$315,000	1,745,000	-	(265,000)	1,480,000	265,000

### Note 8 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities (Continued)</b>							
Special Assessment Bonds:							
1995 Special Assessment Bonds							
Amount of issue - \$1,700,000							
Maturing through 2009	6.00% - 6.75%	\$100,000 - \$125,000	\$ 590,000	\$ -	\$ (125,000)	\$ 465,000	\$ 125,000
2000 Special Assessment Limited Tax Bonds							
Amount of issue - \$18,435,000							
Maturing through 2015	4.75%	\$1,000,000 - \$1,500,000	14,750,000	-	(1,000,000)	13,750,000	1,000,000
Installment Purchase Agreements							
Lakeshore Park Property Installment Contract							
Amount of issue - \$126,000							
Maturing through 2005			34,000	-	(34,000)	-	-
Total governmental activities long-term liabilities			<u>\$ 65,504,000</u>	<u>\$ -</u>	<u>\$ (6,059,000)</u>	<u>\$ 59,445,000</u>	<u>\$ 6,190,000</u>
<b>Business-type Activities</b>							
County Drain Contract Obligations:							
Oakland County Contract							
Amount of issue - \$8,200,000							
Maturing through 2008	5.00%	\$750,000	\$ 750,000	\$ -	\$ -	\$ 750,000	\$ -
Oakland County Contract							
Amount of issue - \$8,030,000							
Maturing through 2009	5.00% - 5.20%	\$85,000 - \$850,000	1,740,000	-	(715,000)	1,025,000	850,000
Special Assessment Bonds							
2003 Special Assessment Limited Tax Bonds							
Amount of issue - \$2,330,000							
Maturing through 2017	2.00% - 4.00%	\$150,000 - \$200,000	2,255,000	-	(175,000)	2,080,000	175,000
Revenue Bonds							
1997 Water and Sewer Disposal System							
Revenue Bond							
Amount of issue - \$5,225,000			3,655,000	-	(3,655,000)	-	-
1998 Water and Sewer Disposal System							
Revenue Bond							
Amount of issue - \$10,000,000			9,500,000	-	(9,500,000)	-	-
Building Authority Bonds							
1997 Ice Arena Recreation Facility Bond							
Amount of issue - \$8,500,000							
Maturing through 2006	4.00%	\$200,000	200,000	-	(200,000)	-	-
2004 Ice Arena Recreation Facility							
Refunding Bonds							
Amount of issue - \$7,630,000							
Maturing through 2024	2.50% - 4.65%	\$310,000 - \$560,000	7,630,000	-	(60,000)	7,570,000	310,000

# City of Novi, Michigan

## Notes to Financial Statements June 30, 2006

### Note 8 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities (Continued)</b>							
Less deferred amount on refunding			\$ (504,672)	\$ -	\$ 26,562	\$ (478,110)	\$ -
1999 Senior Complex Recreation Facility Bond							
Amount of issue - \$15,300,000							
Maturing through 2016	5.10% - 7.50%	\$400,000 - \$625,000	5,500,000	-	(350,000)	5,150,000	400,000
2005 Senior Complex Recreation Facility							
Refunding Bonds							
Amount of issue - \$9,920,000							
Maturing through 2025	3.00% - 5.00%	\$45,000 - \$1,100,000	9,920,000	-	(105,000)	9,815,000	45,000
Less deferred amount on refunding			(842,369)	-	40,112	(802,257)	-
Total business-type activities long-term liabilities			\$ 39,802,959	\$ -	\$ (14,693,326)	\$ 25,109,633	\$ 1,780,000

Annual debt service requirements to maturity for the above (governmental) bond and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 6,190,000	\$ 2,512,067	\$ 8,702,067	\$ 1,780,000	\$ 1,750,800	\$ 3,530,800
2008	7,025,000	2,261,863	9,286,863	1,800,000	1,634,605	3,434,605
2009	7,250,000	1,963,190	9,213,190	1,110,000	1,511,025	2,621,025
2010	7,500,000	1,628,614	9,128,614	1,100,000	1,424,168	2,524,168
2011	7,620,000	1,285,350	8,905,350	1,100,000	1,340,845	2,440,845
2012-2016	21,585,000	2,754,206	24,339,206	6,175,000	5,248,244	11,423,244
2017-2021	2,275,000	142,955	2,417,955	6,825,000	2,581,900	9,406,900
2022-2026	-	-	-	6,500,000	701,657	7,201,657
Deferred amount on refundings	-	-	-	(1,280,367)	-	(1,280,367)
Total	\$ 59,445,000	\$ 12,548,245	\$ 71,993,245	\$ 25,109,633	\$ 16,193,244	\$ 41,302,877

### Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for employee medical benefit claims and is covered by the Municipal Insurance Alliance for property and casualty claims, and for vehicle and contractor equipment physical damage. The City participates in the Michigan Municipal League (MML) risk pool for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.



### Note 9 - Risk Management (Continued)

The City was a member of the Michigan Municipal Risk Management Authority, which is a self-insurance program for general and auto liability, auto physical damage, and property loss claims through June 30, 1994. From July 1, 1994 through June 30, 2003, the City participated in the Michigan Municipal League (MML) risk pool for claims relating to property loss, torts, errors and omissions, and workers' compensation. Since July 1, 2003, the City has participated in the Municipal Insurance Alliance program. The Alliance provides property and liability insurance through a single A-rated insurance company.

The City estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. This includes estimated liabilities of the Michigan Municipal Risk Management Authority program through June 30, 1994, estimated liabilities of the Michigan Municipal League program from July 1, 1994 through June 30, 2003, and estimated deductible payments related to the Municipal Insurance Alliance for claims subsequent to July 1, 2003.

Changes in the estimated liability for the past two fiscal years were as follows:

	2006	2005
Estimated liability - Beginning of year	\$ 240,173	\$ 522,300
Estimated claims incurred, including changes in estimates	731,748	(181,346)
Claim payments	(91,712)	(100,781)
Estimated liability - End of year	<u>\$ 880,209</u>	<u>\$ 240,173</u>

### Note 10 - Construction Code Fees

The City oversees building construction, in accordance with the State's construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at July 1, 2005	\$	64,742
Current year building permit revenue		2,434,403
Related expenses:		
Direct costs	\$	1,762,565
Estimated indirect costs		<u>282,555</u>
Total construction code expenses		<u>2,045,120</u>
Cumulative surplus at June 30, 2006	\$	<u><u>454,025</u></u>

### Note 11 - Designated Fund Balances

The fund balances of the following funds have been designated for the following purposes:

	General Fund	Municipal Street Fund	Other Nonmajor Governmental Funds
Subsequent years' budgeted expenditures	\$ 2,751,580	\$ 33,238	\$ 1,798,729
Building reserve	<u>-</u>	<u>-</u>	<u>100,000</u>
Total designated fund balances	<u><u>\$ 2,751,580</u></u>	<u><u>\$ 33,238</u></u>	<u><u>\$ 1,898,729</u></u>

### **Note 12 - Defined Benefit Pension Plan and Postretirement Benefits**

#### **Plan Description**

The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, Michigan 48917.

#### **Funding Policy**

The authority to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and requires contributions of 2.43 percent to 6.44 percent from approximately 70 percent of the covered or eligible employees.

#### **Annual Pension Cost**

For the year ended June 30, 2006, the City's annual pension cost of \$1,938,734 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent to 12.9 percent per year, and (c) cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over 30 years. The amortization period is open.

### Note 12 - Defined Benefit Pension Plan and Postretirement Benefits (Continued)

#### Three-year Trend Information

	Fiscal Year Ended June 30		
	2004	2005	2006
Annual pension cost (APC)	\$ 1,561,235	\$ 1,769,342	\$ 1,938,734
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None
	2003	2004	2005
Actuarial value of assets	\$ 29,711,414	\$ 32,513,951	\$ 35,577,406
Actuarial accrued liability (AAL) (entry age normal cost method)	\$ 40,290,596	\$ 47,410,735	\$ 51,073,379
Unfunded AAL (UAAL)	\$ 10,579,182	\$ 14,896,784	\$ 15,495,973
Funded ratio	74%	69%	70%
Covered payroll	\$ 14,299,462	\$ 15,561,451	\$ 15,723,059
UAAL as a percentage of covered payroll	74%	96%	99%

### Note 13 - Defined Contribution Plan Description

Effective May 1, 2006, all new administrative employees will participate in the MERS Defined Contribution (DC) program. Administrative employees hired prior to May 1, 2006 have the irrevocable option to transfer from the Defined Benefit Program to the Defined Contribution Program on December 1, 2006. The City of Novi contributes 8 percent of eligible earnings and each member contributes 3 percent to an individual account established for each participant. All contributions are remitted to a third-party plan administrator. The DC plan maintains a schedule of vesting, with the participants becoming fully vested upon completion of seven years of continuous service. The contribution requirements of plan members are established and may be amended by the City Council in accordance with City policies, union contracts, and MERS plan provisions. There was one member participating in the DC plan as of June 30, 2006.

### **Note 14 - Joint Venture**

The City participates in the Southwest Oakland Cable Commission with the cities of Farmington and Farmington Hills. The City appoints two members to the governing board of the Cable Commission, which then approves the annual budget. The Cable Commission receives 5 percent of the total cable television charges from the cable television company as franchise fees and currently does not receive a subsidy from the City. Financial information of the joint venture as of June 30, 2006 can be obtained from the administrative offices at 24021 Research Drive, Farmington Hills, Michigan.

In addition, the City is a member of the Resource Recovery and Recycling Authority of Southwest Oakland County. The Authority is incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, Wixom, and the Charter Township of South Lyon. The City appoints one member to the joint venture's governing board, which then approves the annual budget. The joint venture receives its operating revenue from member contributions and miscellaneous income. The financial information of the joint venture as of June 30, 2006 can be obtained from the Authority's administrative offices at 20000 West 8 Mile Road, Southfield, Michigan.

For both joint ventures, the City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

### **Note 15 - Retiree Health Care Benefits Expendable Trust**

The City provides health care benefits to most full-time employees upon retirement, in accordance with labor contracts. Currently, 48 retirees are eligible and 40 are receiving benefits. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with contributions required by the participant for 20 percent of annual premiums. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for retiree health care benefits are recognized as the insurance premiums become due. For individuals retired before June 30, 1994, premiums are paid by the General Fund. During the year, this amounted to approximately \$72,000. For individuals retiring after June 30, 1994, payments for premiums are recorded in the Retiree Health Care Benefits Pension and Other Employee Benefit Trust Fund. During the year, this amounted to approximately \$238,000.

All administrative employees hired after May 1, 2006 are enrolled into an individual Retiree Health Care Savings Account with a City contribution of \$50 per pay. All contributions are remitted to a third-party plan administrator.

### **Note 15 - Retiree Health Care Benefits Expendable Trust (Continued)**

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year beginning July 1, 2008.

## **Required Supplemental Information**

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# City of Novi, Michigan

## Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) General Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b><u>Revenue</u></b>				
<b>Taxes</b>				
Current property taxes	\$ 14,249,000	\$ 14,278,000	\$ 14,416,355	\$ 138,355
Trailer fees	10,000	10,000	9,351	(649)
Penalty and interest	175,000	175,000	224,943	49,943
Total taxes	14,434,000	14,463,000	14,650,649	187,649
<b>Licenses, Permits, and Charges for Services</b>	3,131,600	3,544,210	3,835,567	291,357
<b>Intergovernmental Revenue</b>				
Federal grants	25,100	76,100	108,661	32,561
State-shared revenue	3,777,943	3,684,943	3,728,482	43,539
Police training grant	10,300	10,300	27,393	17,093
Total intergovernmental revenue	3,813,343	3,771,343	3,864,536	93,193
<b>Fines and Forfeitures</b>	287,000	287,000	460,284	173,284
<b>Interest Income</b>	420,000	1,030,000	1,283,217	253,217
<b>Other Revenue</b>	518,000	536,300	898,856	362,556
<b>Transfers In</b>	4,425,000	4,515,000	4,514,227	(773)
Total revenue	27,028,943	28,146,853	29,507,336	1,360,483
<b><u>Expenditures</u></b>				
<b>City Council</b>				
Personal services	5,600	5,600	5,903	(303)
Other services and charges	1,100	1,100	811	289
Total city council	6,700	6,700	6,714	(14)
<b>City Manager</b>				
Personal services	389,430	412,170	398,351	13,819
Supplies	900	900	646	254
Other services and charges	4,525	4,525	6,832	(2,307)
Total city manager	394,855	417,595	405,829	11,766
<b>Finance</b>				
Personal services	663,884	679,954	654,959	24,995
Other services and charges	475,175	475,175	66,709	408,466
Total finance	1,139,059	1,155,129	721,668	433,461



# City of Novi, Michigan

## Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) General Fund (Continued) Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Information Technology</b>				
Personal services	\$ 313,651	\$ 328,311	\$ 306,806	\$ 21,505
Supplies	42,000	42,000	41,237	763
Other services and charges	88,997	108,997	105,920	3,077
Total information technology	444,648	479,308	453,963	25,345
<b>Assessing</b>				
Personal services	537,641	547,886	538,932	8,954
Supplies	1,950	1,950	243	1,707
Other services and charges	127,970	131,970	121,468	10,502
Total assessing	667,561	681,806	660,643	21,163
<b>City Attorney</b>	435,000	380,000	393,687	(13,687)
<b>City Clerk</b>				
Personal services	476,571	487,541	439,005	48,536
Supplies	12,000	31,000	28,088	2,912
Other services and charges	24,515	24,515	13,265	11,250
Capital outlay	-	6,000	5,549	451
Total city clerk	513,086	549,056	485,907	63,149
<b>Treasury</b>				
Personal services	218,081	211,161	206,520	4,641
Supplies	18,974	18,974	19,642	(668)
Other services and charges	39,045	40,945	34,606	6,339
Total treasury	276,100	271,080	260,768	10,312
<b>Building and Grounds</b>				
Personal services	207,031	233,131	229,013	4,118
Supplies	9,025	9,025	8,890	135
Other services and charges	619,200	619,200	410,523	208,677
Debt service	34,900	34,900	34,816	84
Total building and grounds	870,156	896,256	683,242	213,014
<b>Community Relations</b>				
Personal services	140,744	145,049	145,237	(188)
Supplies	4,250	7,250	6,276	974
Other services and charges	140,300	141,103	141,662	(559)
Capital outlay	3,803	-	-	-
Total community relations	289,097	293,402	293,175	227

# City of Novi, Michigan

## Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) General Fund (Continued) Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>General Administration</b>				
Personal services	\$ 908,344	\$ 905,624	\$ 899,590	\$ 6,034
Supplies	89,500	97,200	79,426	17,774
Other services and charges	700,263	790,263	722,534	67,729
Total general administration	1,698,107	1,793,087	1,701,550	91,537
<b>Police Department</b>				
Personal services	9,178,254	9,325,792	9,145,796	179,996
Supplies	168,050	198,550	203,812	(5,262)
Other services and charges	786,686	946,686	898,520	48,166
Total police department	10,132,990	10,471,028	10,248,128	222,900
<b>Fire Department</b>				
Personal services	3,770,544	3,953,216	3,682,610	270,606
Supplies	136,500	153,500	153,325	175
Other services and charges	264,425	310,425	306,759	3,666
Capital outlay	178,000	591,000	564,861	26,139
Total fire department	4,349,469	5,008,141	4,707,555	300,586
<b>Building Department</b>				
Personal services	1,548,228	1,555,788	1,497,422	58,366
Supplies	37,550	37,550	23,536	14,014
Other services and charges	98,505	153,605	125,799	27,806
Capital outlay	84,000	167,510	100,231	67,279
Total building department	1,768,283	1,914,453	1,746,988	167,465
<b>Neighborhood Services</b>				
Personal services	413,055	413,055	404,707	8,348
Supplies	7,500	4,900	3,530	1,370
Other services and charges	18,820	25,320	23,355	1,965
Capital outlay	21,000	21,000	17,970	3,030
Total neighborhood services	460,375	464,275	449,562	14,713
<b>Department of Public Works</b>				
Personal services	1,937,731	1,956,991	1,892,174	64,817
Supplies	113,600	113,600	118,904	(5,304)
Other services and charges	565,140	622,440	569,256	53,184
Capital outlay	287,000	489,000	396,329	92,671
Allocated to other operations	(1,831,170)	(1,997,670)	(2,015,590)	17,920
Total department of public works	1,072,301	1,184,361	961,073	223,288

# City of Novi, Michigan

## Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) General Fund (Continued) Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Engineering</b>				
Personal services	\$ 463,562	\$ 475,347	\$ 465,986	\$ 9,361
Supplies	4,755	4,755	4,085	670
Other services and charges	10,400	10,400	8,745	1,655
Allocated to other operations	(88,500)	(166,500)	(201,209)	34,709
Total engineering	390,217	324,002	277,607	46,395
<b>Planning Commission</b>				
Supplies	400	400	-	400
Other services and charges	25,000	25,000	1,034	23,966
Total planning commission	25,400	25,400	1,034	24,366
<b>Planning</b>				
Personal services	596,978	587,440	537,127	50,313
Supplies	11,800	11,800	5,343	6,457
Other services and charges	97,030	99,530	78,565	20,965
Total planning	705,808	698,770	621,035	77,735
<b>Contingencies</b>	355,280	-	-	-
<b>Transfers Out</b>	1,119,400	1,119,400	1,118,175	1,225
Total expenditures	27,113,892	28,133,249	26,198,303	1,934,946
<b>Net Change in Fund Balance</b>	(84,949)	13,604	3,309,033	3,295,429
<b>Fund Balance - Beginning of year</b>	7,204,337	7,204,337	7,204,337	-
<b>Fund Balance - End of year</b>	<u>\$ 7,119,388</u>	<u>\$ 7,217,941</u>	<u>\$ 10,513,370</u>	<u>\$ 3,295,429</u>

# City of Novi, Michigan

## Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) Municipal Street Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 2,350,000	\$ 2,375,000	\$ 2,378,893	\$ 3,893
Special assessments	1,087,717	1,087,717	1,142,023	54,306
Interest income	1,027,120	1,052,120	1,155,623	103,503
Other	<u>86,278</u>	<u>86,278</u>	<u>88,003</u>	<u>1,725</u>
Total revenue	4,551,115	4,601,115	4,764,542	163,427
<b>Expenditures</b>				
Construction	461,700	1,149,200	894,564	254,636
Street maintenance	398,000	438,000	447,344	(9,344)
Debt service	1,837,325	1,837,325	1,836,488	837
Transfers out	<u>2,350,000</u>	<u>1,850,000</u>	<u>1,850,000</u>	<u>-</u>
Total expenditures	<u>5,047,025</u>	<u>5,274,525</u>	<u>5,028,396</u>	<u>246,129</u>
<b>Net Change in Fund Balance</b>	(495,910)	(673,410)	(263,854)	409,556
<b>Fund Balance - Beginning of year</b>	<u>3,663,977</u>	<u>3,663,977</u>	<u>3,663,977</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 3,168,067</u></u>	<u><u>\$ 2,990,567</u></u>	<u><u>\$ 3,400,123</u></u>	<u><u>\$ 409,556</u></u>

### **Note - Basis of Budgeting**

The City adopts a formal budget for the General Fund and all Special Revenue Funds. All department heads submit spending requests to the city manager so that a budget may be prepared. Before the third Monday in April, the proposed budget is submitted to the City Council for review. Public hearings are held, and a final budget is adopted no later than the third Monday in May. Adoption of the budget requires approval of five votes of the seven-member City Council. The City Council must approve any budget amendments.

During the current year, the budget was amended in a legally permissible manner. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the General and Municipal Street Funds is presented as required supplemental information. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the nonmajor funds is presented as other supplemental information.

The budget is adopted by category within activity (i.e., personal services, supplies, other services, and charges and capital outlay within each department). Although spending estimates are produced for each line item, budgetary control is exercised at this category level. Expenditures at this level must be approved by the City Council. Expenditures at this level in excess of budget appropriation are a violation of Michigan law. Encumbrances represent commitments related to unperformed contracts (or purchase orders) for goods or services. Encumbrances are not included as expenditures or liabilities; the amount of encumbrances outstanding at June 30, 2006 is not significant.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that transfers have been included in the "revenue" and "expenditure" categories, rather than as "other financing sources (uses)."

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the City incurred expenditures that were in excess of the amounts budgeted. The unfavorable variances were caused by unanticipated expenditures that became necessary during the year. There are no significant budget overruns.

## **Other Supplemental Information**

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# City of Novi, Michigan

Special Revenue Funds					
	Major Street	Local Street	Police and Fire	Parks, Recreation, and Forestry	Tree Fund
<b>Assets</b>					
Cash and investments	\$ 2,129,307	\$ 172,572	\$ 1,796,080	\$ 909,892	\$ 818,660
Accounts receivable:					
Other governmental units	361,960	123,036	-	42,494	-
Taxes	-	-	135,178	36,508	-
Special assessments	633,333	-	-	-	-
Other	-	-	-	-	-
Due from other funds	-	4,404	-	-	-
Restricted assets	1,153,057	281,650	-	-	-
Total assets	<u>\$ 4,277,657</u>	<u>\$ 581,662</u>	<u>\$ 1,931,258</u>	<u>\$ 988,894</u>	<u>\$ 818,660</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 195,569	\$ 240,343	\$ -	\$ 181,780	\$ 136,603
Accrued and other liabilities	-	-	-	135	-
Due to other funds	4,404	-	-	-	-
Deferred revenue	633,333	-	-	166,525	-
Total liabilities	833,306	240,343	-	348,440	136,603
<b>Fund Balances</b>					
Reserved - Restricted assets	1,153,057	281,650	-	-	-
Unreserved:					
Designated	1,428,165	-	209,000	-	-
Undesignated	863,129	59,669	1,722,258	640,454	682,057
Total fund balances	3,444,351	341,319	1,931,258	640,454	682,057
Total liabilities and fund balances	<u>\$ 4,277,657</u>	<u>\$ 581,662</u>	<u>\$ 1,931,258</u>	<u>\$ 988,894</u>	<u>\$ 818,660</u>

**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2006**

Special Revenue Funds							
Drain Revenue	Drain Perpetual Maintenance	Special Assessment Revolving	Judgment Trust	Contributions and Donations	Federal Forfeiture	Library	Walker Building
\$ 3,521,125	\$ 5,235,525	\$ 2,089,742	\$ 135,224	\$ -	\$ 2,177,266	\$ 856,648	\$ -
78,470	-	-	-	-	-	-	-
50,743	-	-	-	-	-	73,058	-
7,206	-	-	-	-	-	-	-
-	-	-	463	-	3,500	-	-
-	-	-	-	-	-	-	-
1,182,195	-	-	-	136,167	-	-	1,286,329
<b>\$ 4,839,739</b>	<b>\$ 5,235,525</b>	<b>\$ 2,089,742</b>	<b>\$ 135,687</b>	<b>\$ 136,167</b>	<b>\$ 2,180,766</b>	<b>\$ 929,706</b>	<b>\$ 1,286,329</b>
\$ 383,491	\$ -	\$ -	\$ -	\$ 16,013	\$ 21,996	\$ 89,548	\$ 13,512
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,206	-	-	-	-	-	-	-
390,697	-	-	-	16,013	21,996	89,548	13,512
1,182,195	-	-	-	120,154	-	-	1,272,817
-	-	-	-	-	161,564	100,000	-
3,266,847	5,235,525	2,089,742	135,687	-	1,997,206	740,158	-
4,449,042	5,235,525	2,089,742	135,687	120,154	2,158,770	840,158	1,272,817
<b>\$ 4,839,739</b>	<b>\$ 5,235,525</b>	<b>\$ 2,089,742</b>	<b>\$ 135,687</b>	<b>\$ 136,167</b>	<b>\$ 2,180,766</b>	<b>\$ 929,706</b>	<b>\$ 1,286,329</b>

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# City of Novi, Michigan

	Debt Service Funds			
	Special Assessments	2000 Voted Street	2000 Limited Tax Debt	2002 Michigan Transportation Fund Refunding Debt
<b>Assets</b>				
Cash and investments	\$ 629,328	\$ 31,969	\$ -	\$ -
Accounts receivable:				
Other governmental units	-	-	-	-
Taxes	-	27,285	-	-
Special assessments	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Restricted assets	-	-	-	-
Total assets	<u>\$ 629,328</u>	<u>\$ 59,254</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued and other liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	-	-	-	-
<b>Fund Balances</b>				
Reserved - Restricted assets	-	-	-	-
Unreserved:				
Designated	-	-	-	-
Undesignated	629,328	59,254	-	-
Total fund balances	<u>629,328</u>	<u>59,254</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 629,328</u>	<u>\$ 59,254</u>	<u>\$ -</u>	<u>\$ -</u>

**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds (Continued)**  
**June 30, 2006**

Debt Service Funds			
1999 Police Debt	2003 Refunding Debt	2002 Street and Refunding Debt	1993 Refunding Debt
\$ 401,792	\$ 93,420	\$ 66,585	\$ 50,934
-	-	-	-
-	10,538	82,813	42,102
-	-	-	-
-	-	54,297	-
-	-	-	-
-	-	-	-
<u>\$ 401,792</u>	<u>\$ 103,958</u>	<u>\$ 203,695</u>	<u>\$ 93,036</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
401,792	103,958	203,695	93,036
401,792	103,958	203,695	93,036
<u>\$ 401,792</u>	<u>\$ 103,958</u>	<u>\$ 203,695</u>	<u>\$ 93,036</u>

(Continued on next page)

# City of Novi, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds (Continued) June 30, 2006

	Capital Projects Funds			
	2000 Voted Street Construction	1997 Fire Capital Improvement	1999 Police Building Construction	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 3,456,767	\$ -	\$ 1,160,586	\$ 25,733,422
Accounts receivable:				
Other governmental units	-	-	-	605,960
Taxes	-	-	-	458,225
Special assessments	-	-	-	640,539
Other	-	-	-	58,260
Due from other funds	-	-	-	4,404
Restricted assets	-	-	-	4,039,398
Total assets	<u>\$ 3,456,767</u>	<u>\$ -</u>	<u>\$ 1,160,586</u>	<u>\$ 31,540,208</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 93,697	\$ -	\$ -	\$ 1,372,552
Accrued and other liabilities	-	-	-	135
Due to other funds	-	-	-	4,404
Deferred revenue	-	-	-	807,064
Total liabilities	93,697	-	-	2,184,155
<b>Fund Balances</b>				
Reserved - Restricted assets	-	-	-	4,009,873
Unreserved:				
Designated	-	-	-	1,898,729
Undesignated	3,363,070	-	1,160,586	23,447,451
Total fund balances	3,363,070	-	1,160,586	29,356,053
Total liabilities and fund balances	<u>\$ 3,456,767</u>	<u>\$ -</u>	<u>\$ 1,160,586</u>	<u>\$ 31,540,208</u>

# City of Novi, Michigan

	Special Revenue Funds				
	Major Street	Local Street	Police and Fire	Parks, Recreation, and Forestry	Tree Fund
<b>Revenue</b>					
Taxes	\$ -	\$ -	\$ 4,401,545	\$ 1,188,679	\$ -
Federal grants	-	-	-	127,145	20,000
State sources	2,192,120	745,260	-	44,913	-
Special assessments	126,667	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Interest income	173,552	16,953	125,741	40,892	37,671
Recreational programs	-	-	-	918,047	-
Donations	-	-	-	-	-
Other revenue	69,062	-	-	49,539	1,278,534
Total revenue	2,561,401	762,213	4,527,286	2,369,215	1,336,205
<b>Expenditures</b>					
Administration	500	500	-	-	-
Construction	2,105,367	1,260,140	-	-	-
Street maintenance	1,158,734	1,085,014	-	-	-
Drain maintenance	-	-	-	-	-
Recreational programs	-	-	-	1,912,578	-
Forestry and park maintenance	-	-	-	849,688	635,752
Library programs	-	-	-	-	-
Other	-	-	-	-	-
Capital outlay	-	-	-	210,520	18,396
Debt service	199,781	-	-	-	-
Total expenditures	3,464,382	2,345,654	-	2,972,786	654,148
<b>Excess of Revenue Over (Under)</b>					
Expenditures	(902,981)	(1,583,441)	4,527,286	(603,571)	682,057
<b>Other Financing Sources (Uses)</b>					
Transfers in	1,100,000	1,298,030	-	631,000	-
Transfers out	(664,209)	-	(4,425,000)	-	-
Total other financing sources (uses)	435,791	1,298,030	(4,425,000)	631,000	-
<b>Net Change in Fund Balances</b>	(467,190)	(285,411)	102,286	27,429	682,057
<b>Fund Balances</b> - Beginning of year	3,911,541	626,730	1,828,972	613,025	-
<b>Fund Balances</b> - End of year	\$ 3,444,351	\$ 341,319	\$ 1,931,258	\$ 640,454	\$ 682,057

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended June 30, 2006**

Special Revenue Funds

Drain Revenue	Drain Perpetual Maintenance	Special Assessment Revolving	Judgment Trust	Contributions and Donations	Federal Forfeiture	Library	Walker Building
\$ 1,572,126	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,387,306	\$ -
182,150	-	-	-	-	-	-	-
-	-	-	-	-	-	37,818	-
3,088	-	-	-	-	-	-	-
-	-	-	-	-	2,510,604	99,455	-
205,386	182,085	68,844	5,747	5,589	99,819	60,002	35,702
-	-	-	-	-	-	-	-
-	-	-	-	12,604	-	-	327,543
-	92,810	-	-	-	-	31,498	-
1,962,750	274,895	68,844	5,747	18,193	2,610,423	2,616,079	363,245
5,586	-	500	-	-	-	-	-
1,984,538	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
490,658	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,313,923	-
-	-	-	147,820	1,604	93,776	-	109,860
3,991	-	-	-	-	407,716	50,693	-
-	-	-	-	-	-	-	-
2,484,773	-	500	147,820	1,604	501,492	2,364,616	109,860
(522,023)	274,895	68,344	(142,073)	16,589	2,108,931	251,463	253,385
-	-	-	250,000	-	-	-	-
-	-	-	-	(11,000)	(1,289,227)	-	-
-	-	-	250,000	(11,000)	(1,289,227)	-	-
(522,023)	274,895	68,344	107,927	5,589	819,704	251,463	253,385
4,971,065	4,960,630	2,021,398	27,760	114,565	1,339,066	588,695	1,019,432
<b>\$ 4,449,042</b>	<b>\$ 5,235,525</b>	<b>\$ 2,089,742</b>	<b>\$ 135,687</b>	<b>\$ 120,154</b>	<b>\$ 2,158,770</b>	<b>\$ 840,158</b>	<b>\$ 1,272,817</b>

(Continued on next page)

# City of Novi, Michigan

	Debt Service Funds			
	Special Assessments	2000 Voted Street	2000 Limited Tax Debt	2002 Michigan Transportation Fund Refunding Debt
<b>Revenue</b>				
Taxes	\$ -	\$ 905,110	\$ -	\$ -
Federal grants	-	-	-	-
State sources	-	-	-	-
Special assessments	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest income	25,337	4,540	-	-
Recreational programs	-	-	-	-
Donations	-	-	-	-
Other revenue	-	-	-	-
Total revenue	25,337	909,650	-	-
<b>Expenditures</b>				
Administration	-	-	-	-
Construction	-	-	-	-
Street maintenance	-	-	-	-
Drain maintenance	-	-	-	-
Recreational programs	-	-	-	-
Forestry and park maintenance	-	-	-	-
Library programs	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	893,957	248,175	116,179
Total expenditures	-	893,957	248,175	116,179
<b>Excess of Revenue Over (Under)</b>				
Expenditures	25,337	15,693	(248,175)	(116,179)
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	248,175	116,179
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	248,175	116,179
<b>Net Changes in Fund Balances</b>	25,337	15,693	-	-
<b>Fund Balances - Beginning of year</b>	603,991	43,561	-	-
<b>Fund Balances - End of year</b>	<b>\$ 629,328</b>	<b>\$ 59,254</b>	<b>\$ -</b>	<b>\$ -</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds (Continued)**  
**Year Ended June 30, 2006**

Debt Service Funds			
1999 Police Debt	2003 Refunding Debt	2002 Street and Refunding Debt	1993 Refunding Debt
\$ -	\$ 754,919	\$ 3,138,552	\$ 1,363,308
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
28,307	5,410	11,563	4,424
-	-	-	-
-	-	-	-
-	-	-	-
28,307	760,329	3,150,115	1,367,732
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
286,413	747,125	3,086,613	1,359,645
286,413	747,125	3,086,613	1,359,645
(258,106)	13,204	63,502	8,087
542,000	-	58,387	-
-	-	-	-
542,000	-	58,387	-
283,894	13,204	121,889	8,087
117,898	90,754	81,806	84,949
<b>\$ 401,792</b>	<b>\$ 103,958</b>	<b>\$ 203,695</b>	<b>\$ 93,036</b>

(Continued on next page)

# City of Novi, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2006

	Capital Projects Funds			
	2000 Voted Street Construction	1997 Fire Capital Improvement	1999 Police Building Construction	Total Nonmajor Governmental Funds
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ 15,711,545
Federal grants	-	-	-	329,295
State sources	300,000	-	-	3,320,111
Special assessments	-	-	-	129,755
Fines and forfeitures	-	-	-	2,610,059
Interest income	140,898	-	18,273	1,296,735
Recreational programs	-	-	-	918,047
Donations	-	-	-	340,147
Other revenue	-	18,349	-	1,539,792
Total revenue	440,898	18,349	18,273	26,195,486
<b>Expenditures</b>				
Administration	-	-	-	7,086
Construction	1,009,974	-	-	6,360,019
Street maintenance	-	-	-	2,243,748
Drain maintenance	-	-	-	490,658
Recreational programs	-	-	-	1,912,578
Forestry and park maintenance	-	-	-	1,485,440
Library programs	-	-	-	2,313,923
Other	-	-	-	353,060
Capital outlay	-	-	-	691,316
Debt service	-	-	-	6,937,888
Total expenditures	1,009,974	-	-	22,795,716
<b>Excess of Revenue Over (Under)</b>				
<b>Expenditures</b>	(569,076)	18,349	18,273	3,399,770
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	658,000	4,901,771
Transfers out	-	(58,387)	-	(6,447,823)
Total other financing sources (uses)	-	(58,387)	658,000	(1,546,052)
<b>Net Change in Fund Balances</b>	(569,076)	(40,038)	676,273	1,853,718
<b>Fund Balances - Beginning of year</b>	3,932,146	40,038	484,313	27,502,335
<b>Fund Balances - End of year</b>	<b>\$ 3,363,070</b>	<b>\$ -</b>	<b>\$ 1,160,586</b>	<b>\$ 29,356,053</b>



# City of Novi, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds Year Ended June 30, 2006

### Special Revenue - Major Street

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
State sources	\$ 2,210,051	\$ 2,210,051	\$ 2,192,120	\$ (17,931)
Special assessments	98,000	98,000	126,667	28,667
Interest income	95,500	105,500	173,552	68,052
Other	-	-	69,062	69,062
Transfers in	1,600,000	1,100,000	1,100,000	-
Total revenue	4,003,551	3,513,551	3,661,401	147,850
<b>Expenditures</b>				
Administration	500	500	500	-
Construction	3,639,000	3,139,000	2,105,367	1,033,633
Street maintenance	1,235,925	1,245,925	1,158,734	87,191
Debt service	200,375	200,375	199,781	594
Transfers out	669,201	669,201	664,209	4,992
Total expenditures	5,745,001	5,255,001	4,128,591	1,126,410
<b>Net Change in Fund Balance</b>	(1,741,450)	(1,741,450)	(467,190)	1,274,260
<b>Fund Balance - Beginning of year</b>	3,911,541	3,911,541	3,911,541	-
<b>Fund Balance - End of year</b>	<u>\$ 2,170,091</u>	<u>\$ 2,170,091</u>	<u>\$ 3,444,351</u>	<u>\$ 1,274,260</u>

# City of Novi, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2006

### Special Revenue - Local Street

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
State sources	\$ 775,213	\$ 775,213	\$ 745,260	\$ (29,953)
Interest income	11,000	11,000	16,953	5,953
Transfers in	1,302,513	1,302,513	1,298,030	(4,483)
Total revenue	2,088,726	2,088,726	2,060,243	(28,483)
<b>Expenditures</b>				
Administration	500	500	500	-
Construction	1,263,000	1,263,000	1,260,140	2,860
Street maintenance	1,067,130	1,067,130	1,085,014	(17,884)
Total expenditures	2,330,630	2,330,630	2,345,654	(15,024)
<b>Net Change in Fund Balance</b>	(241,904)	(241,904)	(285,411)	(43,507)
<b>Fund Balance - Beginning of year</b>	626,730	626,730	626,730	-
<b>Fund Balance - End of year</b>	<u>\$ 384,826</u>	<u>\$ 384,826</u>	<u>\$ 341,319</u>	<u>\$ (43,507)</u>

# City of Novi, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2006

### Special Revenue - Police and Fire

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Taxes	\$ 4,322,000	\$ 4,322,000	\$ 4,401,545	\$ 79,545
Interest income	39,728	39,728	125,741	86,013
Total revenue	4,361,728	4,361,728	4,527,286	165,558
<b>Expenditures</b> - Transfers out	4,425,000	4,425,000	4,425,000	-
<b>Net Change in Fund Balance</b>	(63,272)	(63,272)	102,286	165,558
<b>Fund Balance</b> - Beginning of year	1,828,972	1,828,972	1,828,972	-
<b>Fund Balance</b> - End of year	<u>\$ 1,765,700</u>	<u>\$ 1,765,700</u>	<u>\$ 1,931,258</u>	<u>\$ 165,558</u>

# City of Novi, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2006

### Special Revenue - Parks, Recreation, and Forestry

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Taxes	\$ 1,170,000	\$ 1,170,000	\$ 1,188,679	\$ 18,679
Federal grants	127,828	127,828	127,145	(683)
State sources	44,713	44,713	44,913	200
Interest income	10,500	32,500	40,892	8,392
Recreational programs	1,026,575	1,026,575	918,047	(108,528)
Other	301,000	69,525	49,539	(19,986)
Transfers in	620,000	620,000	631,000	11,000
Total revenue	3,300,616	3,091,141	3,000,215	(90,926)
<b>Expenditures</b>				
Recreational programs	1,880,218	1,993,938	1,912,578	81,360
Forestry and park maintenance	1,140,423	923,698	849,688	74,010
Capital outlay	248,700	342,700	210,520	132,180
Total expenditures	3,269,341	3,260,336	2,972,786	287,550
<b>Net Change in Fund Balance</b>	31,275	(169,195)	27,429	196,624
<b>Fund Balance - Beginning of year</b>	613,025	613,025	613,025	-
<b>Fund Balance - End of year</b>	<u>\$ 644,300</u>	<u>\$ 443,830</u>	<u>\$ 640,454</u>	<u>\$ 196,624</u>

# City of Novi, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2006

### Special Revenue - Tree Fund

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Federal grants	\$ -	\$ -	\$ 20,000	\$ 20,000
Interest income	-	-	37,671	37,671
Other	-	740,000	1,278,534	538,534
Total revenue	-	740,000	1,336,205	596,205
<b>Expenditures</b>				
Forestry and park maintenance	-	704,000	635,752	68,248
Capital outlay	-	36,000	18,396	17,604
Total expenditures	-	740,000	654,148	85,852
<b>Net Change in Fund Balance</b>	-	-	682,057	682,057
<b>Fund Balance - Beginning of year</b>	-	-	-	-
<b>Fund Balance - End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 682,057</u>	<u>\$ 682,057</u>

# City of Novi, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2006

### Special Revenue - Drain Revenue

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Taxes	\$ 1,537,000	\$ 1,537,000	\$ 1,572,126	\$ 35,126
Federal grants	-	164,453	182,150	17,697
Special assessments	2,745	2,745	3,088	343
Interest income	53,950	113,950	205,386	91,436
Total revenue	1,593,695	1,818,148	1,962,750	144,602
<b>Expenditures</b>				
Administration	7,000	9,250	5,586	3,664
Construction	5,000	2,193,226	1,984,538	208,688
Street maintenance	613,300	613,300	490,658	122,642
Capital outlay	25,000	25,000	3,991	21,009
Total expenditures	650,300	2,840,776	2,484,773	356,003
<b>Net Change in Fund Balance</b>	943,395	(1,022,628)	(522,023)	500,605
<b>Fund Balance - Beginning of year</b>	4,971,065	4,971,065	4,971,065	-
<b>Fund Balance - End of year</b>	<u>\$ 5,914,460</u>	<u>\$ 3,948,437</u>	<u>\$ 4,449,042</u>	<u>\$ 500,605</u>

### Special Revenue - Drain Perpetual Maintenance

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Interest income	\$ 163,000	\$ 163,000	\$ 182,085	\$ 19,085
Other	-	-	92,810	92,810
Total revenue	163,000	163,000	274,895	111,895
<b>Fund Balance - Beginning of year</b>	4,960,630	4,960,630	4,960,630	-
<b>Fund Balance - End of year</b>	<u>\$ 5,123,630</u>	<u>\$ 5,123,630</u>	<u>\$ 5,235,525</u>	<u>\$ 111,895</u>

# City of Novi, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2006

### Special Revenue - Special Assessment Revolving

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b> - Interest income	\$ 30,000	\$ 30,000	\$ 68,844	\$ 38,844
<b>Expenditures</b> - Other	500	500	500	-
<b>Net Change in Fund Balance</b>	29,500	29,500	68,344	38,844
<b>Fund Balance</b> - Beginning of year	2,021,398	2,021,398	2,021,398	-
<b>Fund Balance</b> - End of year	<u>\$ 2,050,898</u>	<u>\$ 2,050,898</u>	<u>\$ 2,089,742</u>	<u>\$ 38,844</u>

### Special Revenue - Judgment Trust

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Interest income	\$ 500	\$ 500	\$ 5,747	\$ 5,247
Transfers in	250,000	250,000	250,000	-
Total revenue	250,500	250,500	255,747	5,247
<b>Expenditures</b> - Other	200,000	200,000	147,820	52,180
<b>Net Change in Fund Balance</b>	50,500	50,500	107,927	57,427
<b>Fund Balance</b> - Beginning of year	27,760	27,760	27,760	-
<b>Fund Balance</b> - End of year	<u>\$ 78,260</u>	<u>\$ 78,260</u>	<u>\$ 135,687</u>	<u>\$ 57,427</u>

# City of Novi, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2006

### Special Revenue - Contributions and Donations

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Interest income	\$ 100	\$ 100	\$ 5,589	\$ 5,489
Donations	-	1,604	12,604	11,000
Total revenue	100	1,704	18,193	16,489
<b>Expenditures</b>				
Other	-	1,604	1,604	-
Transfers out	-	-	11,000	(11,000)
Total expenditures	-	1,604	12,604	(11,000)
<b>Net Change in Fund Balance</b>	100	100	5,589	5,489
<b>Fund Balance - Beginning of year</b>	114,565	114,565	114,565	-
<b>Fund Balance - End of year</b>	<u>\$ 114,665</u>	<u>\$ 114,665</u>	<u>\$ 120,154</u>	<u>\$ 5,489</u>



# City of Novi, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2006

### Special Revenue - Federal Forfeiture

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Fines and forfeitures	\$ -	\$ 2,305,000	\$ 2,510,604	\$ 205,604
Interest income	-	-	99,819	99,819
Total revenue	-	2,305,000	2,610,423	305,423
<b>Expenditures</b>				
Other	-	377,000	93,776	283,224
Capital outlay	-	1,479,911	407,716	1,072,195
Transfers out	-	1,290,000	1,289,227	773
Total expenditures	-	3,146,911	1,790,719	1,356,192
<b>Net Change in Fund Balance</b>	-	(841,911)	819,704	1,661,615
<b>Fund Balance - Beginning of year</b>	1,339,066	1,339,066	1,339,066	-
<b>Fund Balance - End of year</b>	<u>\$ 1,339,066</u>	<u>\$ 497,155</u>	<u>\$ 2,158,770</u>	<u>\$ 1,661,615</u>

# City of Novi, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2006

### Special Revenue - Library

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Taxes	\$ 2,348,265	\$ 2,348,265	\$ 2,387,306	\$ 39,041
State sources	41,276	41,276	37,818	(3,458)
Fines and forfeitures	101,000	101,000	99,455	(1,545)
Interest income	18,000	18,000	60,002	42,002
Other	31,300	31,300	31,498	198
Total revenue	2,539,841	2,539,841	2,616,079	76,238
<b>Expenditures</b>				
Library programs	2,405,634	2,405,634	2,313,923	91,711
Capital outlay	40,000	40,000	50,693	(10,693)
Total expenditures	2,445,634	2,445,634	2,364,616	81,018
<b>Net Change in Fund Balance</b>	94,207	94,207	251,463	157,256
<b>Fund Balance - Beginning of year</b>	588,695	588,695	588,695	-
<b>Fund Balance - End of year</b>	<u>\$ 682,902</u>	<u>\$ 682,902</u>	<u>\$ 840,158</u>	<u>\$ 157,256</u>

# City of Novi, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2006

### Special Revenue - Walker Building

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenue</b>				
Interest income	\$ 28,000	\$ 41,500	\$ 35,702	\$ (5,798)
Donations	-	78,000	327,543	249,543
Total revenue	28,000	119,500	363,245	243,745
<b>Expenditures - Other</b>	18,000	109,500	109,860	360
<b>Net Change in Fund Balance</b>	10,000	10,000	253,385	243,385
<b>Fund Balance - Beginning of year</b>	1,019,432	1,019,432	1,019,432	-
<b>Fund Balance - End of year</b>	<u>\$ 1,029,432</u>	<u>\$ 1,029,432</u>	<u>\$ 1,272,817</u>	<u>\$ 243,385</u>

# City of Novi, Michigan

## Other Supplemental Information Agency Fund Statement of Changes in Assets and Liabilities June 30, 2006

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
<b><u>Agency Fund</u></b>				
<b>Assets - Cash and cash equivalents</b>	<b><u>\$ 13,594,713</u></b>	<b><u>\$ 147,832,759</u></b>	<b><u>\$ (148,509,667)</u></b>	<b><u>\$ 12,917,805</u></b>
<b>Liabilities</b>				
Due to builders and developers	\$ 13,461,956	\$ 6,633,824	\$ (7,256,024)	\$ 12,839,756
Due to schools and other governmental units	<u>132,757</u>	<u>141,198,935</u>	<u>(141,253,643)</u>	<u>78,049</u>
Total liabilities	<b><u>\$ 13,594,713</u></b>	<b><u>\$ 147,832,759</u></b>	<b><u>\$ (148,509,667)</u></b>	<b><u>\$ 12,917,805</u></b>

## Statistical Section

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This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

The statistical section is organized into the following main categories:

**Financial Trends** - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

**Revenue Capacity** - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

**Debt Capacity** - These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt, and the City's ability to issue additional debt in the future.

**Demographics and Economic Information** - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

**Operating Information** - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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**Sources** Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

# City of Novi, Michigan

## Net Assets by Component Last Four Fiscal Years

	June 30			
	2003	2004	2005	2006
<b>Governmental Activities</b>				
Invested in capital assets - Net of related debt	\$ 54,427,110	\$ 62,117,983	\$ 62,204,015	\$ 71,209,178
Restricted	38,210,144	35,410,689	41,242,642	41,981,032
Unrestricted	4,402,108	4,332,865	6,876,193	9,181,892
Total net assets	<u>\$ 97,039,362</u>	<u>\$ 101,861,537</u>	<u>\$ 110,322,850</u>	<u>\$ 122,372,102</u>
<b>Business-type Activities</b>				
Invested in capital assets - Net of related debt	\$ 91,549,170	\$ 95,306,559	\$ 101,580,364	\$ 120,125,526
Restricted	6,258,807	10,905,222	10,763,974	9,233,967
Unrestricted	35,026,772	39,579,233	41,133,126	34,712,819
Total net assets	<u>\$ 132,834,749</u>	<u>\$ 145,791,014</u>	<u>\$ 153,477,464</u>	<u>\$ 164,072,312</u>
<b>Primary Government in Total</b>				
Invested in capital assets - Net of related debt	\$ 145,976,280	\$ 157,424,542	\$ 163,784,379	\$ 191,334,704
Restricted	44,468,951	46,315,911	52,006,616	51,214,999
Unrestricted	39,428,880	43,912,098	48,009,319	43,894,711
Total net assets	<u>\$ 229,874,111</u>	<u>\$ 247,652,551</u>	<u>\$ 263,800,314</u>	<u>\$ 286,444,414</u>

# City of Novi, Michigan

## Changes in Net Assets Governmental Activities Last Four Fiscal Years

	Year Ended June 30			
	2003	2004	2005	2006
<b>Expenses</b>				
General government	\$ 6,210,935	\$ 6,231,101	\$ 5,842,870	\$ 6,984,091
Public safety	13,978,661	15,291,311	16,168,230	17,394,448
Public works	8,509,856	8,429,310	9,168,248	9,247,149
Community and economic development	746,891	713,015	663,232	629,371
Recreation and culture	5,329,303	4,800,821	5,020,595	5,893,891
Interest on long-term debt	3,513,817	3,788,247	2,926,353	2,691,960
Total expenses	38,289,463	39,253,805	39,789,528	42,840,910
<b>Program Revenue</b>				
Charges for services:				
Public safety	2,553,985	2,357,562	2,849,549	3,197,692
Recreation and culture	1,109,964	1,033,070	1,174,776	1,157,091
Other activities	566,933	806,897	997,257	815,190
Total charges for services	4,230,882	4,197,529	5,021,582	5,169,973
Operating grants and contributions	4,010,155	3,484,063	4,406,610	6,989,196
Capital grants and contributions	19,582,814	2,223,129	2,171,125	2,287,153
Total program revenue	27,823,851	9,904,721	11,599,317	14,446,322
<b>Net Expense</b>	(10,465,612)	(29,349,084)	(28,190,211)	(28,394,588)
<b>General Revenue</b>				
Taxes	26,579,364	28,321,001	30,565,158	32,741,087
State-shared revenue	4,204,949	3,812,543	3,756,453	3,728,482
Unrestricted interest earnings	1,276,430	949,504	1,357,939	2,706,553
Unrestricted cable television franchise fees	255,455	266,880	280,416	301,318
Miscellaneous	503,981	821,331	691,558	966,400
Total general revenue	32,820,179	34,171,259	36,651,524	40,443,840
<b>Transfers</b>	240,644	-	-	-
<b>Change in Net Assets</b>	<u>\$ 22,595,211</u>	<u>\$ 4,822,175</u>	<u>\$ 8,461,313</u>	<u>\$ 12,049,252</u>

# City of Novi, Michigan

## Changes in Net Assets Business-type Activities Last Four Fiscal Years

	Year Ended June 30			
	2003	2004	2005	2006
<b>Expenses</b>				
Water and sewer	\$ 14,162,739	\$ 15,150,583	\$ 16,771,488	\$ 17,669,658
Ice arena	1,687,774	1,798,053	1,734,652	1,736,197
Senior housing	1,826,826	1,763,643	1,798,915	1,662,803
Total expenses	17,677,339	18,712,279	20,305,055	21,068,658
<b>Program Revenue</b>				
Charges for services:				
Water and sewer	11,378,563	11,910,235	12,382,451	14,413,573
Ice arena	1,711,457	1,829,384	1,736,504	1,948,994
Senior housing	1,770,471	1,664,145	1,717,479	1,750,117
Total charges for services	14,860,491	15,403,764	15,836,434	18,112,684
Capital grants and contributions	5,610,131	14,915,510	10,305,554	11,439,392
Total program revenue	20,470,622	30,319,274	26,141,988	29,552,076
<b>Net Revenue</b>	2,793,283	11,606,995	5,836,933	8,483,418
<b>General Revenue</b>				
Unrestricted interest earnings	1,161,275	1,349,270	1,849,517	2,098,954
Miscellaneous	-	-	-	12,476
Total general revenue	1,161,275	1,349,270	1,849,517	2,111,430
<b>Transfers</b>	(240,644)	-	-	-
<b>Change in Net Assets</b>	<u>\$ 3,713,914</u>	<u>\$ 12,956,265</u>	<u>\$ 7,686,450</u>	<u>\$ 10,594,848</u>



# City of Novi, Michigan

	June 30				
	1997	1998	1999	2000	2001
<b>General Fund</b>					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 66,386
Unreserved	<u>3,284,615</u>	<u>3,748,548</u>	<u>4,167,348</u>	<u>2,581,745</u>	<u>4,337,737</u>
Total General Fund	3,284,615	3,748,548	4,167,348	2,581,745	4,404,123
<b>All Other Governmental Funds</b>					
Reserved	86,029	90,736	95,494	100,819	13,785,461
Unreserved, reported in:					
Special Revenue Funds	9,750,431	10,632,292	10,644,597	12,448,172	14,544,390
Capital Project Funds	11,793,751	16,825,988	11,440,150	9,479,225	17,065,462
Debt Service Funds	<u>1,323,644</u>	<u>1,419,719</u>	<u>838,918</u>	<u>686,543</u>	<u>754,779</u>
Total all other governmental funds	<u><b>\$ 22,953,855</b></u>	<u><b>\$ 28,968,735</b></u>	<u><b>\$ 23,019,159</b></u>	<u><b>\$ 22,714,759</b></u>	<u><b>\$ 46,150,092</b></u>

**Fund Balances  
Governmental Funds  
Last Ten Fiscal Years**

June 30				
2002	2003	2004	2005	2006
\$ 48,879	\$ 4,910	\$ -	\$ 64,742	\$ 454,025
<u>4,651,976</u>	<u>5,288,136</u>	<u>5,133,307</u>	<u>7,139,595</u>	<u>10,059,345</u>
4,700,855	5,293,046	5,133,307	7,204,337	10,513,370
109,290	1,572,501	6,311,395	6,032,947	6,731,963
23,992,512	20,300,100	17,299,383	19,653,909	20,009,494
13,363,003	17,322,795	7,645,115	4,456,497	4,523,656
<u>823,211</u>	<u>958,761</u>	<u>1,372,204</u>	<u>1,022,959</u>	<u>1,491,063</u>
<b><u>\$ 38,288,016</u></b>	<b><u>\$ 40,154,157</u></b>	<b><u>\$ 32,628,097</u></b>	<b><u>\$ 31,166,312</u></b>	<b><u>\$ 32,756,176</u></b>

# City of Novi, Michigan

	Year Ended June 30				
	1997	1998	1999	2000	2001
<b>Revenue</b>					
Taxes	\$ 16,047,885	\$ 18,165,370	\$ 19,539,386	\$ 20,500,721	\$ 22,119,501
Licenses, permits, and charges					
for services	1,999,357	2,007,549	1,938,503	2,249,562	2,472,503
Federal grants	577,535	715,828	697,584	486,638	536,154
State sources	4,959,641	6,102,520	5,717,719	6,128,094	6,622,204
Special assessments	857,660	1,078,981	653,367	341,631	668,661
Fines and forfeitures	336,128	328,868	295,938	355,851	350,737
Interest income	2,104,891	2,596,091	2,857,640	2,381,875	3,866,470
Recreational programs	698,880	691,244	683,289	696,555	676,415
Donations	-	-	-	-	-
Other revenue	1,156,117	991,318	793,229	2,307,357	714,708
Total revenue	28,738,094	32,677,769	33,176,655	35,448,284	38,027,353
<b>Expenditures</b>					
Current services:					
City Council	25,577	30,908	30,693	17,811	16,178
City manager	305,942	316,436	336,707	380,103	431,169
Finance	408,640	435,239	453,326	464,113	474,103
Information technology	159,105	263,308	307,761	325,567	237,050
Assessing	608,725	601,355	554,040	598,428	545,524
City attorney	288,913	448,183	314,395	459,933	386,080
City clerk	404,771	406,066	413,884	407,660	426,546
Treasury	226,731	262,530	286,698	294,420	283,244
Buildings and grounds	432,666	403,321	661,807	529,547	605,675
Community relations	98,508	129,516	185,713	158,916	190,932
General administration	1,066,460	1,114,714	1,222,977	1,396,418	1,393,840
Police department	6,514,945	6,669,565	6,845,406	6,941,713	7,861,860
Coalition that Cares	-	-	268,831	275,541	252,266
Fire department	2,151,578	2,159,916	2,148,895	2,427,116	2,680,184
Building department	969,400	1,012,589	1,145,205	1,040,641	1,081,448
Neighborhood services	338,654	263,636	280,972	289,049	254,655
Department of Public Works	367,037	495,637	571,215	488,605	701,037
Municipal garage	187,808	301,546	289,940	65,840	(119,584)
Engineering	-	-	-	-	-
Planning Commission	181,993	55,070	66,468	47,174	33,600
Planning	370,237	436,083	536,267	526,423	484,733
Construction	7,120,650	6,858,833	11,827,502	6,926,399	11,462,547
Street maintenance	1,251,455	1,392,594	1,572,159	1,645,265	2,141,759
Drain maintenance	-	-	-	-	-
Recreational programs	1,197,255	1,244,270	1,288,445	1,349,702	1,413,103
Forestry and park maintenance	403,304	489,095	523,455	530,604	599,921
Library programs	1,363,545	1,485,746	1,589,180	1,696,761	1,774,198
Special assessments refund	-	-	184,505	171,208	-
Other	-	-	-	-	-

**Changes in Fund Balances  
Governmental Funds  
Last Ten Fiscal Years**

Year Ended June 30				
2002	2003	2004	2005	2006
\$ 24,295,219	\$ 26,579,364	\$ 28,321,001	\$ 30,565,342	\$ 32,741,087
2,394,190	2,710,259	3,067,750	3,722,805	3,835,567
820,901	554,498	300,066	691,007	437,956
7,104,544	7,012,000	6,859,367	6,820,821	7,075,986
1,109,137	1,096,950	1,137,287	1,358,180	1,271,778
359,760	384,847	469,068	1,841,171	3,070,343
3,005,912	2,503,750	2,109,486	2,451,375	3,735,575
758,648	897,234	771,552	847,606	918,047
-	1,470	1,008,007	13,782	340,147
1,840,213	2,435,998	1,023,024	1,015,413	2,526,651
41,688,524	44,176,370	45,066,608	49,327,502	55,953,137
8,011	4,659	4,517	5,142	6,714
493,779	507,418	538,867	588,392	405,829
499,907	522,386	638,614	683,494	721,668
325,008	345,997	347,143	335,892	453,963
569,351	546,446	610,956	628,395	660,643
960,517	428,163	548,850	460,265	393,687
426,755	472,592	446,794	545,666	485,907
243,738	251,015	272,318	274,503	260,768
626,629	657,638	822,787	699,789	648,426
158,654	260,243	254,535	280,850	293,175
1,367,451	1,404,932	1,498,761	1,342,756	1,708,636
7,846,717	8,400,100	9,020,762	9,706,073	10,248,128
194,693	-	-	-	-
3,190,241	3,269,965	3,452,750	3,740,265	4,707,555
1,346,052	1,447,435	1,536,733	1,769,951	1,746,988
294,141	311,996	411,568	425,959	449,562
948,541	736,403	1,031,675	665,697	961,073
-	-	-	-	-
-	214,061	202,373	374,411	277,607
9,291	4,093	26,712	55,580	1,034
707,290	736,773	675,693	607,832	621,035
14,042,915	11,354,818	13,859,945	8,266,582	7,254,583
2,228,811	2,716,638	2,182,470	2,724,585	2,691,092
-	-	407,066	429,265	490,658
1,457,300	1,671,287	1,697,907	1,802,210	1,912,578
664,061	720,223	898,072	1,009,631	1,485,440
1,879,807	2,063,764	2,167,782	2,222,296	2,313,923
-	-	-	-	-
206,545	2,930,374	330,636	177,186	356,326

# City of Novi, Michigan

	Year Ended June 30				
	1997	1998	1999	2000	2001
<b>Expenditures (Continued)</b>					
Current services (Continued):					
Capital outlay	\$ 1,520,230	\$ 910,534	\$ 310,166	\$ 1,797,589	\$ 804,599
Debt service principal	3,516,244	3,437,667	4,766,534	3,446,305	3,868,592
Debt service interest	2,282,230	2,611,499	2,774,993	2,639,436	3,117,574
Total expenditures	33,762,603	34,235,856	41,758,139	37,338,287	43,402,833
<b>Excess of Revenue Over (Under) Expenditures</b>	(5,024,509)	(1,558,087)	(8,581,484)	(1,890,003)	(5,375,480)
<b>Other Financing Sources (Uses)</b>					
Issuance of debt	11,632,316	8,100,000	205,000	-	28,435,000
Payment to escrow agent	-	-	-	-	-
Transfers in	4,387,576	3,977,168	4,091,785	6,755,661	5,804,407
Transfers out	(4,387,576)	(4,040,268)	(4,091,785)	(6,755,661)	(5,804,407)
Total other financing sources (uses)	11,632,316	8,036,900	205,000	-	28,435,000
<b>Transfers in Residual Equity</b>	-	-	-	-	2,198,191
<b>Net Change in Fund Balances</b>	6,607,807	6,478,813	(8,376,484)	(1,890,003)	25,257,711
<b>Fund Balances - Beginning of year</b>	19,630,663	26,238,470	32,717,283	27,186,507	25,296,504
<b>Fund Balances - End of year</b>	<b>\$ 26,238,470</b>	<b>\$ 32,717,283</b>	<b>\$ 24,340,799</b>	<b>\$ 25,296,504</b>	<b>\$ 50,554,215</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	18.0%	18.2%	18.2%	17.1%	16.4%

**Changes in Fund Balances (Continued)**  
**Governmental Funds**  
**Last Ten Fiscal Years**

Year Ended June 30				
2002	2003	2004	2005	2006
\$ 1,407,294	\$ 696,526	\$ 548,054	\$ 238,090	\$ 688,050
3,488,000	4,114,000	4,836,319	5,667,000	6,059,000
<u>3,662,369</u>	<u>3,233,210</u>	<u>3,562,704</u>	<u>2,990,500</u>	<u>2,750,192</u>
<u>49,253,868</u>	<u>50,023,155</u>	<u>52,833,363</u>	<u>48,718,257</u>	<u>51,054,240</u>
(7,565,344)	(5,846,785)	(7,766,755)	609,245	4,898,897
-	30,655,000	6,565,000	-	-
-	(22,777,930)	(6,484,044)	-	-
5,287,337	9,132,839	6,249,401	8,235,372	10,257,998
<u>(5,287,337)</u>	<u>(8,892,195)</u>	<u>(6,249,401)</u>	<u>(8,235,372)</u>	<u>(10,257,998)</u>
-	8,117,714	80,956	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(7,565,344)	2,270,929	(7,685,799)	609,245	4,898,897
<u>50,554,215</u>	<u>43,176,274</u>	<u>45,447,203</u>	<u>37,761,404</u>	<u>38,370,649</u>
<b><u>\$ 42,988,871</u></b>	<b><u>\$ 45,447,203</u></b>	<b><u>\$ 37,761,404</u></b>	<b><u>\$ 38,370,649</u></b>	<b><u>\$ 43,269,546</u></b>
14.9%	14.9%	16.1%	17.9%	17.5%

# City of Novi, Michigan

Year Ended June 30	Taxable Value by Property Type				
	Real Property				
	Residential	Commercial	Industrial	Developmental	IFT
1997	\$ 883,951	\$ 367,185	\$ 128,691	\$ 30,763	\$ -
1998	973,602	372,640	134,268	28,032	-
1999	1,078,998	400,526	138,608	27,700	-
2000	1,163,360	441,560	148,925	19,813	-
2001	1,251,256	480,266	159,582	33,876	-
2002	1,366,840	540,246	172,722	25,789	-
2003	1,498,310	611,164	188,025	24,604	-
2004	1,605,730	639,737	205,969	21,819	-
2005	1,746,995	703,099	225,091	19,225	-
2006	1,932,745	738,891	232,970	-	10,111

- (1) In accordance with the 1970 State of Michigan Constitution, the assessed value is 50 percent of appraised or estimated actual value.

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**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
(dollars in thousands)

				Taxable Value	
Personal				Estimated	as a Percent of
Property	Total Value	Tax Rate (Mills)	Actual Value	Actual (1)	
\$ 128,281	\$ 1,538,871	10.4034	\$ 3,077,743	50	
137,200	1,645,742	10.9282	3,291,483	50	
151,348	1,797,180	10.7576	3,594,359	50	
166,509	1,940,167	10.5477	3,880,333	50	
170,023	2,095,003	10.5416	4,190,006	50	
174,798	2,280,395	10.5416	4,560,790	50	
188,178	2,510,281	10.5416	5,020,561	50	
205,961	2,679,216	10.5416	5,358,432	50	
206,140	2,900,550	10.5416	5,801,099	50	
194,212	3,108,929	10.5416	6,217,858	50	



# City of Novi, Michigan

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City of Novi								
Fiscal Year	General	Municipal Street	Police and Fire	Parks and Recreation	Drain Revenue	Library	Debt Service	Total
1997	4.1215	0.6971	1.5097	0.4080	0.6945	0.8160	2.1566	10.4034
1998	4.1215	0.6945	1.5084	0.4077	0.6945	0.8153	2.6863	10.9282
1999	4.1215	0.6945	1.5032	0.4063	0.6945	0.8125	2.5251	10.7576
2000	4.1215	0.6815	1.4780	0.3995	0.6005	0.7989	2.4678	10.5477
2001	4.1215	0.6815	1.4567	0.3937	0.6005	0.7874	2.5003	10.5416
2002	4.4485	0.6815	1.4443	0.3902	0.6005	0.7806	2.1960	10.5416
2003	4.4551	0.7791	1.4416	0.3894	0.6005	0.7791	2.0968	10.5416
2004	4.4985	0.7776	1.4388	0.3886	0.6005	0.7776	2.0600	10.5416
2005	4.6422	0.7719	1.4282	0.3857	0.5105	0.7719	2.0312	10.5416
2006	4.6802	0.7719	1.4282	0.3857	0.5105	0.7719	1.9932	10.5416

# City of Novi, Michigan

## Direct and Overlapping Property Tax Rates Last Ten Fiscal Years (in thousands of dollars)

Overlapping Government							
Novi Schools		South Lyon Schools		Walled Lake Schools		Northville Schools	
Homestead	Non-homestead	Homestead	Non-homestead	Homestead	Non-homestead	Homestead	Non-homestead
11.2900	23.9000	6.2500	24.2500	9.4772	23.6500	4.2000	22.2000
11.1783	23.7000	11.7283	24.2500	8.4399	23.1000	6.5050	24.5050
11.1213	23.8950	8.1500	26.0024	8.1074	22.8000	6.0000	24.0000
10.6785	23.6208	8.0000	25.8524	7.8520	22.8000	5.5000	23.5000
10.3582	23.2663	8.0000	25.8524	8.0982	23.1000	5.0000	23.0000
12.1574	25.6000	8.0000	26.0000	7.9538	23.1000	5.0500	23.0500
11.6782	25.3453	8.0000	26.0000	7.4728	22.9884	4.7800	22.7800
11.3460	25.3049	8.0000	26.0000	7.5248	23.1000	4.7500	22.7500
12.0413	26.2032	8.5000	26.5000	7.0548	22.7900	5.2200	23.2200
11.7194	26.1532	8.5000	26.5000	6.8975	22.7900	4.9500	22.9500

# City of Novi, Michigan

## Direct and Overlapping Property Tax Rates Last Ten Fiscal Years (Continued) (in thousands of dollars)

Overlapping Government						
Fiscal Year Ended June 30	Oakland County	Oakland Community College	Schoolcraft Community College	Oakland Intermediate Schools	Wayne Intermediate Schools	State Education
1997	4.8480	1.6522	1.8521	2.1294	1.9971	6.0000
1998	4.8180	1.6522	1.8521	2.1294	1.9971	6.0000
1999	4.6564	1.6456	1.8521	2.1208	1.9971	6.0000
2000	4.6522	1.6295	1.8440	2.0998	1.9974	6.0000
2001	4.6478	1.6109	1.8311	2.0752	1.9789	6.0000
2002	4.6438	1.5952	1.8195	3.4526	1.9753	6.0000
2003	4.6523	1.6090	1.8043	3.4224	3.4643	6.0000
2004	4.6497	1.5983	1.8024	3.3991	3.4643	5.0000 (1)
2005	4.6476	1.5889	1.7967	3.3789	3.4643	6.0000
2006	4.6461	1.5844	1.7967	3.3690	3.4643	6.0000

(1) The State of Michigan passed legislation on April 30, 2002 to require the levying of the State Education Tax (SET) on subsequent summer tax bills only. A one-time reduction from 6 mills to 5 mills was offered during the 2003 tax year to assist taxpayers with the transition to the new collection cycle.

# City of Novi, Michigan

## Principal Taxpayers Current Year and Nine Years Ago

Taxpayer	2005 Taxable Value	Percentage of Total	2005 Rank	1996 Taxable Value	Percentage of Total	1996 Rank
Singh	\$ 59,246,460	1.91	1	\$ -	-	
Taubman (Twelve Oaks Mall Ltd. Part.)	53,529,190	1.73	2	54,473,950	3.31	1
Haggerty Corridor Partners	39,932,950	1.29	3	-	-	
Fountain Walk	37,473,000	1.21	4	-	-	
Novi Campus LLC	27,425,950	0.89	5	-	-	
Occidental Development Ltd.	26,692,120	0.86	6	19,580,500	1.19	2
Providence Hospital	20,862,520	0.67	7	-	-	
DTE Energy	19,224,200	0.62	8	15,563,550	0.95	4
MI Developments America	18,843,770	0.61	9	-	-	
TBON LLC	18,336,560	0.59	10	-	-	
Aetna 4226 Novi Town Center	-	-	-	15,905,800	0.97	3
Solomon Properties Inc.	-	-	-	14,073,900	0.86	5
Ramco Novi I Co.	-	-	-	12,315,700	0.75	6
Progressive Tool & Industries	-	-	-	11,084,050	0.67	7
Johnson Controls	-	-	-	9,997,350	0.61	8
Saddle Creek Assoc.	-	-	-	9,217,400	0.56	9
Crystal Glen Group Ltd.	-	-	-	9,202,950	0.56	10

# City of Novi, Michigan

## Property Tax Levies and Collections Last Ten Fiscal Years

Tax Year	Fiscal Year	Total Tax Levy	Current Collections	Percent of Levy Collected	Delinquent Collections	Total Tax Collections	Percent of Total Collections to Tax Levy
1996	1997	\$ 16,146,708	\$ 15,292,294	94.7	\$ 739,900	\$ 16,032,194	99.3
1997	1998	18,169,203	17,444,048	96.0	608,640	18,052,688	99.4
1998	1999	19,333,400	18,845,437	97.5	433,275	19,278,712	99.7
1999	2000	20,464,295	19,851,494	97.0	519,156	20,370,650	99.5
2000	2001	22,009,796	21,436,690	97.4	458,097	21,894,787	99.5
2001	2002	24,039,024	23,477,124	97.7	427,871	23,904,995	99.4
2002	2003	26,462,386	25,442,497	96.1	867,058	26,309,555	99.4
2003	2004	28,320,219	27,425,798	96.8	816,969	28,242,767	99.7
2004	2005	30,576,422	29,479,285	96.4	1,082,779	30,562,064	100.0
2005	2006	32,666,495	32,035,260	98.1	588,942	32,624,202	99.9

# City of Novi, Michigan

	1997	1998	1999	2000
<b>Governmental Activities</b>				
General obligation bonds	\$ 46,097	\$ 51,564	\$ 52,446	\$ 49,645
Installment purchase agreements	-	-	205	180
Special assessment bonds	5,119	4,355	2,247	1,668
Equipment loan	400	300	200	100
Land contract	142	111	77	-
Total	51,758	56,330	55,175	51,593
<b>Business-type Activities</b>				
General obligation bonds	\$ 16,415	\$ 15,675	\$ 14,817	\$ 29,245
Special assessment bonds	2,816	2,400	973	667
Installment loans	-	-	85	61
Revenue bonds	5,600	15,625	15,425	15,195
Total	24,831	33,700	31,300	45,168
Total debt of the government	<u>\$ 76,589</u>	<u>\$ 90,030</u>	<u>\$ 86,475</u>	<u>\$ 96,761</u>
Total taxable value	\$ 1,538,871	\$ 1,645,743	\$ 1,797,181	\$ 1,940,167
Ratio of total debt to taxable value	4.98%	5.47%	4.81%	4.99%
Total population	44,698	46,205	48,052	48,572
Total debt per capita	\$ 34,428	\$ 35,618	\$ 37,401	\$ 39,944

**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
(dollars in thousands, except per capita)

2001	2002	2003	2004	2005	2006
\$ 56,463	\$ 53,861	\$ 57,884	\$ 54,640	\$ 50,130	\$ 45,230
154	126	97	66	34	-
19,525	18,650	17,590	16,465	15,340	14,215
-	-	-	-	-	-
-	-	-	-	-	-
76,142	72,637	75,571	71,171	65,504	59,445
\$ 28,535	\$ 27,735	\$ 26,675	\$ 25,525	\$ 24,393	\$ 23,030
400	200	-	2,330	2,255	2,080
35	7	-	-	-	-
14,965	14,535	14,105	13,680	13,155	-
43,935	42,477	40,780	41,535	39,803	25,110
<b>\$ 120,077</b>	<b>\$ 115,114</b>	<b>\$ 116,351</b>	<b>\$ 112,706</b>	<b>\$ 105,307</b>	<b>\$ 84,555</b>
\$ 2,095,003	\$ 2,280,396	\$ 2,510,282	\$ 2,679,216	\$ 2,900,549	\$ 3,098,818
5.73%	5.05%	4.63%	4.21%	3.63%	2.73%
48,784	49,359	50,223	51,518	52,921	53,941
\$ 42,944	\$ 46,200	\$ 49,983	\$ 52,005	\$ 54,809	\$ 57,448

# City of Novi, Michigan

## Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years (dollars in thousands, except per capita)

Fiscal Year	Tax-limited General Obligation Bonds (LTGO)	Tax Supported Bonds (UTGO)	Michigan Transportation Fund (MTF)	Other General Obligation Debt	Total	Taxable Value	Debt as a Percentage of Taxable Value	Population	Debt per Capita
1997	\$ -	\$ 42,872	\$ 3,225	\$ 542	\$ 46,639	\$ 1,538,871	3.03	44,698	\$ 1,043
1998	-	48,489	3,075	411	51,975	1,645,743	3.16	46,205	1,126
1999	-	49,571	2,875	482	52,928	1,797,181	2.95	48,052	1,103
2000	-	46,920	2,725	280	49,925	1,940,167	2.57	48,572	1,027
2001	-	53,888	2,575	154	56,617	2,095,003	2.70	48,784	1,160
2002	-	51,436	2,425	126	53,987	2,280,396	2.37	49,359	1,095
2003	2,000	53,604	2,280	97	57,981	2,510,282	2.31	50,223	1,150
2004	1,850	50,775	2,015	66	54,706	2,679,216	2.04	51,518	1,061
2005	1,700	46,685	1,745	34	50,164	2,900,549	1.73	52,921	948
2006	1,525	42,225	1,480	-	45,230	3,098,818	1.46	53,941	839



# City of Novi, Michigan

## Direct and Overlapping Governmental Activities Debt

June 30, 2006

(dollars in thousands)

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
Novi School District	\$ 125,144	99.89	\$ 125,006
Northville School District	103,215	18.32	18,909
Walled Lake School District	201,160	10.92	21,967
South Lyon School District	214,290	0.96	2,057
Oakland County	113,000	5.26	5,944
Oakland Intermediate School District	9,215	4.52	417
Oakland Community College	10,050	4.32	434
Total overlapping debt			174,734
Direct City debt			43,750
Total direct and overlapping debt			<u><u>\$ 218,484</u></u>

## City of Novi, Michigan

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	1997	1998	1999	2000
<b>Calculation of Debt Limit</b>				
State equalized valuation	\$ 1,645,743	\$ 1,712,728	\$ 1,922,625	\$ 2,274,362
Assessed value equivalent of Act 198 exemptions	<u>1,898</u>	<u>1,898</u>	<u>1,898</u>	<u>1,825</u>
<b>Debt Limit (10% of SEV)</b>	164,764	171,463	192,452	227,619
<b>Calculation of Debt Subject to Limit</b>				
Total debt	76,590	90,307	86,476	96,761
Less:				
Special assessment bonds	7,935	7,630	4,193	2,335
Michigan Transportation Fund bonds	3,505	3,270	2,977	2,725
Revenue bonds	<u>5,600</u>	<u>15,625</u>	<u>15,425</u>	<u>15,195</u>
<b>Net Debt Subject to Limit</b>	<u>59,551</u>	<u>63,782</u>	<u>63,881</u>	<u>76,506</u>
<b>Legal Debt Margin</b>	<u><u>\$ 105,213</u></u>	<u><u>\$ 107,680</u></u>	<u><u>\$ 128,571</u></u>	<u><u>\$ 151,113</u></u>
<b>Net Debt Subject to Limit as Percent of Debt Limit</b>	36.14%	37.20%	33.19%	33.61%

**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
(dollars in thousands)

2001	2002	2003	2004	2005	2006
\$ 2,440,876	\$ 2,677,663	\$ 2,971,901	\$ 3,196,089	\$ 3,407,207	\$ 3,580,551
-	-	-	-	-	10,111
244,088	267,766	297,190	319,609	340,721	359,066
120,077	115,114	116,351	112,706	106,654	85,835
19,925	18,850	17,590	18,795	17,595	16,295
2,575	2,425	2,280	2,015	1,745	1,480
14,965	14,535	14,105	13,680	13,155	-
82,612	79,304	82,376	78,216	74,159	68,060
<b><u>\$ 161,476</u></b>	<b><u>\$ 188,462</u></b>	<b><u>\$ 214,814</u></b>	<b><u>\$ 241,393</u></b>	<b><u>\$ 266,562</u></b>	<b><u>\$ 291,006</u></b>
33.85%	29.62%	27.72%	24.47%	21.77%	18.95%

# City of Novi, Michigan

## Pledged-Revenue Coverage Last Ten Fiscal Years (dollars in thousands)

Fiscal Year	Water and Sewer Revenue Bonds						Special Assessment Bonds			
	Gross Revenue	Applicable Expenses	Net Revenues	Debt Service			Special Assessment Collections	Debt Service		
				Principal	Interest	Coverage		Principal	Interest	Coverage
2002	\$ 10,731	\$ 8,457	\$ 2,274	\$ 430	\$ 720	1.98	\$ 2,449	\$ 1,075	\$ 1,010	1.17
2003	12,583	10,684	1,899	430	690	1.70	2,606	1,260	932	1.19
2004	13,337	11,582	1,755	425	678	1.59	2,670	1,125	853	1.35
2005	14,416	12,885	1,531	525	652	1.30	2,715	1,200	866	1.31
2006	-	-	-	-	-	-	2,679	1,300	775	1.29

# City of Novi, Michigan

## Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
1997	44,698	*	*	2.4
1998	46,205	*	*	2.0
1999	48,052	*	*	1.9
2000	48,572	\$ 1,748,203	\$ 35,992	1.8
2001	48,784	*	*	1.6
2002	49,359	*	*	2.9
2003	50,223	*	*	3.5
2004	51,518	*	*	4.2
2005	52,921	*	*	3.9
2006	53,941	*	*	3.5

\* Not available

Sources: Southeast Michigan Council of Governments  
Michigan Department of Labor and Economic Growth  
U.S. Bureau of the Census

## City of Novi, Michigan

### Principal Employers June 30, 2006

Employer		2005 Employees	Percentage of Total
1	Key Technology, LLC	1,421	5.47
2	Jabil Circuit Co.	1,221	4.70
3	Brass-Craft Manufacturing	1,200	4.62
4	Dayton Hudson Corp.	1,000	3.85
5	Novi Community School District	807	3.11
6	Intier Automotive Seating of America, Inc.	950	3.66
7	Target Corp.	600	2.31
8	Michigan Tractor Machinery	600	2.31
9	MAGNA-MAT & MSS Facility	500	1.93
10	St. John Health (Providence Park Hospital)	500	1.93

Sources: Research Department of Oakland Business Review and 2004 Michigan Manufacturers Directory

## City of Novi, Michigan

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Function/Program	1997	1998	1999	2000
City manager	3	3	3	3
Finance	6	6	6	6
Information technology	1	2	2	3
Assessing	8	8	8	8
City clerk	6	6	6	6
Treasury	4	4	4	4
Buildings and grounds	1	1	1	2
Community relations	1	1	1	1
General administration	4	5	5	7
Police department	77	82	86	87
Fire department	18	21	21	25
Building department	16	16	16	16
Neighborhood services	6	5	5	5
Department of Public Works	21	23	25	26
Engineering	-	-	-	-
Planning	7	7	8	8
Parks, Recreation, and Forestry	13	15	15	15
Water and Sewer	10	11	12	12
Library	14	15	15	15
Total	<b>216</b>	<b>231</b>	<b>239</b>	<b>249</b>

**Full-time Equivalent City Government Employees by Function/Program  
Last Ten Fiscal Years**

2001	2002	2003	2004	2005	2006
3	4	4	4	4	3
6	6	6	7	7	8
3	3	3	3	3	4
8	7	7	7	7	7
6	6	6	6	6	6
4	4	6	6	6	7
2	2	2	2	2	2
1	1	2	2	2	2
8	7	7	7	6	6
88	90	89	94	97	97
25	27	28	29	31	30
16	17	17	17	17	16
5	4	4	5	5	5
26	30	26	25	25	23
-	-	4	4	5	5
8	9	8	8	8	8
15	17	17	18	18	18
12	11	10	10	10	11
18	19	19	21	20	20
<b>254</b>	<b>264</b>	<b>265</b>	<b>275</b>	<b>279</b>	<b>278</b>



# City of Novi, Michigan

Function/Program	1997	1998	1999	2000	2001
Election data:					
Registered voters	29,479	30,597	31,076	31,474	31,972
Voters at polls	15,204	3,578	2,194	2,184	17,246
Absentee ballots	3,308	1,160	1,013	1,388	4,399
Percent voting	62.79%	15.60%	10.31%	11.35%	67.70%
Police:					
Part A crimes	2,053	3,372	1,884	2,742	2,768
Part B crimes	3,550	2,001	2,198	2,255	1,569
Injury accidents	344	349	339	340	278
Property damage	1,927	2,227	2,150	2,334	2,229
Moving traffic violations	7,273	6,743	7,228	6,795	7,035
Parking violations	583	547	700	757	721
Adult arrests	1,687	2,087	1,933	1,797	1,447
Juvenile arrests	250	239	179	335	187
OUIL arrests	316	408	459	448	302
False alarms	-	1,344	2,104	2,637	2,673
Fire:					
Fire incidents	-	157	276	276	130
Service incidents	-	954	729	729	949
Fire inspections conducted	2,076	2,385	2,477	2,477	2,263
Medical emergencies	1,457	1,518	1,672	1,672	1,968
Paid-on-call staff	-	68	68	68	56
Parks and recreation:					
Youth classes/clinics	-	630	516	525	743
Adult classes/clinics	-	1,542	1,744	1,724	300
Youth leagues	3,579	4,220	4,220	4,235	4,500
Adult leagues	2,128	2,913	2,667	2,850	2,915
Summer day camp	250	250	400	328	360
Lakeshore Park vehicle entry	16,711	5,583	5,240	3,458	3,523
Lakeshore Park attendance	-	11,000	10,525	6,945	7,078
Lakeshore Park picnic shelter rental	-	110	97	108	107
Senior citizens served	60,324	98,000	92,504	91,637	96,000
Special event attendance	4,000	5,193	5,720	5,900	7,600
Civic Center rentals	-	840	1,583	1,261	2,532
Civic Center attendance	-	134,098	131,056	119,922	90,167
Novi Theaters - Cast	-	600	640	650	723
Novi Theaters - Audience	-	5,000	7,100	7,237	9,672
Library:					
Items circulated	324,767	366,432	333,691	333,691	335,185
Book collections	88,568	92,285	96,454	96,454	108,124
Audio/Video/CD collections	6,117	7,214	7,708	7,708	8,783
Periodical subscriptions	304	272	269	269	269
Requests of Information	57,297	54,542	55,646	55,646	73,376
Youth Summer Reading	1,190	1,267	1,325	1,325	1,249
Program participants	-	-	33,167	33,167	19,165
Visitors	-	-	-	-	-
Interlibrary loans	-	-	-	-	-

**Operating Indicators by Function/Program  
Last Ten Fiscal Years**

2002	2003	2004	2005	2006
30,534	30,428	30,572	32,131	32,301
6,601	13,814	3,962	25,432	4,495
1,368	2,742	1,343	5,783	2,256
26.10%	54.41%	17.35%	79.15%	20.90%
2,682	2,509	2,530	2,426	2,312
1,496	1,681	1,766	1,216	1,246
325	281	266	277	248
2,200	2,146	2,221	2,004	1,986
7,280	6,161	10,353	10,451	12,219
706	542	620	448	437
1,328	1,541	1,709	1,630	1,780
210	227	261	208	211
259	306	451	460	380
2,310	2,554	2,527	2,470	2,677
135	154	137	305	309
1,062	1,215	1,343	1,124	1,013
2,691	3,054	2,849	2,280	2,291
2,052	2,083	2,187	2,430	2,424
56	60	55	48	54
832	250	1,000	240	248
312	300	400	100	106
4,672	3,732	4,900	2,891	3,002
2,775	2,640	2,010	2,138	2,146
440	420	416	425	431
4,140	3,850	3,410	3,456	3,502
9,050	8,740	10,230	10,368	12,224
86	79	117	82	85
90,500	90,700	90,680	63,676	64,189
8,500	8,813	10,966	9,250	10,009
2,596	2,807	3,765	1,799	2,700
99,880	89,070	99,312	57,352	86,860
785	821	817	367	372
10,110	8,005	10,380	6,341	6,640
352,814	400,441	411,599	464,991	508,405
109,710	107,236	113,384	119,273	123,897
9,394	10,042	11,075	11,552	12,581
398	189	195	189	153
79,071	88,873	86,403	115,623	136,448
1,354	1,547	1,577	1,687	1,698
21,822	23,342	28,824	26,940	26,160
-	-	-	-	285,777
-	-	-	-	46,057

# City of Novi, Michigan

Function/Program	1997	1998	1999	2000	2001
Water and sewer:					
Customers:					
Residential	9,916	10,657	11,191	10,233	11,780
Commercial	750	785	823	767	879
Water (in thousand gallons):					
Purchased from Detroit	1,780,347	1,735,157	2,108,027	2,070,099	1,980,099
Sold to residents	1,742,944	1,559,259	1,908,144	1,893,003	1,771,266
Rates:					
Minimum 7,000 gallons	\$ 20.50	\$ 21.25	\$ 21.25	\$ 21.25	\$ 21.75
Additional usage per 1,000 gallons	\$ 1.80	\$ 1.86	\$ 1.86	\$ 1.86	\$ 1.90
Sewer (per thousand gallons of water usage)	\$ 1.20	\$ 1.38	\$ 1.44	\$ 1.44	\$ 1.44

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**Operating Indicators by Function/Program (Continued)**  
**Last Ten Fiscal Years**

2002	2003	2004	2005	2006
10,040	12,504	10,684	11,107	12,306
949	1,020	1,014	1,024	1,108
1,984,209	2,204,351	2,213,689	2,267,616	2,431,591
1,633,165	2,099,575	2,032,995	2,117,038	2,256,309
\$ 27.00	\$ 27.00	\$ 28.00	\$ 29.00	\$ 31.00
\$ 2.48	\$ 2.48	\$ 2.55	\$ 2.78	\$ 2.94
\$ 1.75	\$ 1.75	\$ 1.93	\$ 2.05	\$ 2.21

## City of Novi, Michigan

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Function/Program	1997	1998	1999	2000
Police - Stations	1	1	1	1
Fire - Stations	4	4	4	4
Public works:				
Miles of City streets:				
Major	31	31	31	31
Local	105	108	126	126
Estimated sidewalks in miles		19	37	37
Bridges	3	3	4	4
Street lights	400	400	400	400
Parks and recreation:				
Acres	770	844	844	844
Locations	9	10	10	10
Library - Branches	1	1	1	1
Water and sewer:				
Miles of water mains	150	157	172	172
Miles of sanitary sewers	170	178	195	195
Fire hydrants	2,310	-	-	2,700

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**Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years**

2001	2002	2003	2004	2005	2006
1 4	1 4	1 4	1 4	1 4	1 4
31 126 37 4 400	31 135 39 4 400	32 159 41 4 400	39 107 39 4 401	39 116 69 4 401	39 116 170 4 401
844 10 1	844 10 1	844 9 1	844 10 1	894 7 1	894 7 1
175 200 3,000	180 203 3,080	180 215 -	180 227 3,077	280 230 3,139	288 230 3,763

# **City of Novi, Michigan**

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**Federal Awards  
Supplemental Information  
June 30, 2006**

# City of Novi, Michigan

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## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of Novi, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Novi, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 27, 2006. Those basic financial statements are the responsibility of the management of the City of Novi, Michigan. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Novi, Michigan. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

September 27, 2006



A worldwide association of independent accounting firms

Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and  
Members of the City Council  
City of Novi, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Novi, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Novi, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Novi, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Honorable Mayor and  
Members of the City Council  
City of Novi, Michigan

This report is intended solely for the information and use of the city council and management and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moreau, PLLC*

September 27, 2006

**Report on Compliance with Requirements Applicable to Each Major Program  
and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Honorable Mayor and  
Members of the City Council  
City of Novi, Michigan

**Compliance**

We have audited the compliance of the City of Novi, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2006. The major federal program of the City of Novi, Michigan is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Novi, Michigan's management. Our responsibility is to express an opinion on the City of Novi, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Novi, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Novi, Michigan's compliance with those requirements.

In our opinion, the City of Novi, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

To the Honorable Mayor and  
Members of the City Council  
City of Novi, Michigan

## **Internal Control Over Compliance**

The management of the City of Novi, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Novi, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the city council and management and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

September 27, 2006

# City of Novi, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development - Passed through Oakland County, Michigan Community Development Block Grant	14.218	Unit 23	\$ 212,971	\$ 127,145
U.S. Department of Justice - Direct:				
LLEBG - Bike and Motorcycle Grant #04-LB-BX-0004	16.592		6,280	5,238
LLEBG - Bike and Motorcycle Grant #04-LB-BX-1453	16.592		7,194	7,194
Total LLEBG				12,432
U.S. Department of Justice - Office of Justice Program:				
Police Vest Grant	16.607		265	265
AFF Equitable Share Federal Forfeiture Proceeds:				
2005	16.unknown		1,332,410	-
2006			2,510,604	1,790,719
Organized Crime Drug Enforcement Task Force	16.unknown		20,000	12,343
Total U.S. Department of Justice				1,803,327
U.S. Department of Transportation - Passed through the State of Michigan - Highway Safety Grant	20.600	36.958	21,509	20,221
Michigan Office of Highway Safety Planning - Passed through the State of Michigan - MACP Award PT-06-81	20.600		1,993	1,993
U.S. Department of Agriculture - Forest Services - State and Private Forestry Program - Passed through the State of Michigan:				
Michigan Arbor Day Alliance	10.664		200	200
Emerald Ash Borer Tree Planting Grant	10.664		20,000	20,000
Michigan Department of Natural Resources - Forest, Mineral & Fire Management Community Forestry Grant Program	10.664	CGF 06-07	20,000	20,000
Total U.S. Department of Agriculture				40,200
Office of Water, Environmental Protection Agency - Passed through Wayne County - Rouge River National Wet Weather Demonstration Project:				
Dunbarton Regional Detention Basin Project	66.606		361,970	53,470
Haggerty Detention Basin	66.606		250,000	128,680
Total Office of Water, Environmental Protection Agency				182,150
U.S. Federal Emergency Management Agency - Passed through the State of Michigan:				
2005 Buffer Zone Protection Program	97.078		50,000	50,000
2003 SHSGP Part II Training Grant	97.004		57,405	10,181
2005 Homeland Security Conference	97.004		1,008	1,008
Total U.S. Federal Emergency Management Agency				61,189
Total federal awards				<b>\$ 2,248,657</b>

# City of Novi, Michigan

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Novi, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Program Title/Project Number/Subrecipient Name	CFDA Number	Amount	
		Provided to Subrecipients	
Community Development Block Grant	14.218	\$	82,985

# City of Novi, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2006

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

#### Federal Awards

Internal control over major program:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
I6.unknown	U.S. Department of Justice - AFF Equitable Share Federal Forfeiture Proceeds

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No



# **City of Novi, Michigan**

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## **Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006**

### **Section II - Financial Statement Audit Findings**

None

### **Section III - Federal Program Audit Findings**

None



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September 27, 2006

To the Honorable Mayor and  
Members of the City Council  
City of Novi  
45175 West Ten Mile Road  
Novi, MI 48050

Dear Mayor and Council Members:

We have recently completed our audit of the financial statements of the City of Novi for the year ended June 30, 2006. As a result of our audit, and in addition to our financial report, we offer the following comments for the Council's review:

### **Revenue Sharing**

This year's State budget discussion offered the hint of an increase in revenue sharing from the last several years. Revenue sharing was identified as a priority by the Legislature during its initial budget discussions and several proposals existed which included a blanket increase in revenue sharing of several percent and one which tied the increase in revenue sharing to local governments who demonstrated that they had engaged in service sharing, service consolidation, etc. In the end, the summer budget compromises that occurred in July saw no increases in revenue sharing over the last several years.

An additional appropriation was made for special census payments in 2006. The revenue-sharing act does provide that a city, village, or township with a minimum 10 percent population growth confirmed by a special census, and levying at least one mill, is eligible for an annual payment for a portion or all of the growth in population. Even if the local government meets these criteria, funds for the special census payment must be appropriated by the Legislature. Therefore, there is risk that a community with a 10 percent or greater population increase since the 2000 census will incur the time and expense of a special census and not have monies appropriated by the Legislature.

To accomplish the same appropriation as last year on a state-wide basis, the State must reduce the statutory portion of a local unit's revenue sharing (remember that the constitutional portion cannot be adjusted). Because of the reductions to revenue sharing since 2001, a number of townships are no longer receiving any statutory revenue sharing. As a result, the State is reducing revenue sharing to all communities that do still receive statutory revenue sharing (such as Novi) by approximately 1 percent.

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September 27, 2006

The statutory formula sunsets in September 2007, so the remaining statutory revenue-sharing dollars will receive considerable attention next year. We encourage you to keep this topic on your agenda as you visit with your state legislators, and remind them of the importance of this revenue source to local units of government. Further, the State will need to begin dealing with counties again as it relates to statutory revenue sharing (in 2004, the State eliminated statutory revenue sharing to counties and changed the timing of the millage collection from December to July). The advancement was required to be placed into a reserve fund and considered a replacement lost statutory revenue sharing; once the reserve is used up, the State is to reinstitute its statutory revenue-sharing payments to each county). It is very possible that the return of county statutory revenue sharing will put significant pressure on the ability to fund city, village, and township statutory revenue sharing.

Considering the unknown replacement of the single business tax (see *Update on Business Tax Reform*), the possible sunset of the statutory formula, and the return of revenue sharing to counties, we encourage you to remain cautionary in budgeting this revenue item.

#### **Update on Business Tax Reform (and its impact on local government)**

On August 9, 2006, the Michigan Legislature approved a voters' legislative "initiative" to repeal the Michigan single business tax (SBT) for tax years beginning after December 31, 2007, two years earlier than it was originally slated to end. In addition to the repeal, the law requires the Michigan Department of Treasury to prorate the SBT to result in the equivalent of zero tax on business activity occurring after December 31, 2007. Previously, the SBT was scheduled to be repealed for tax years beginning after December 31, 2009.

Currently, there is no plan for replacement of this \$1.9 billion in lost revenue to the State. If no replacement revenue is identified, statutory revenue sharing may become a target to fill the hole in the State's budget. The Legislature has created a "Joint Committee on Economic Growth" charged with submitting to the Legislature by December 1 recommendations on a replacement tax for the Single Business Tax. Also, ending and replacing the State's personal property tax, a significant revenue source to many local governments, has been added to the Committee's agenda.

These matters will receive considerable attention going forward and in 2007.

September 27, 2006

### **Cable Franchise Fees**

The State of Michigan has joined a number of other states considering statewide cable TV franchising. There is a bill (HB 6456) that would create a state video service authorization system that would replace the current system of local franchising of cable TV providers, and also would apply to new providers who would provide service through phone lines. Providers would have to provide customers with local stations and “public access” stations, as is currently required for cable systems. Providers would have to pay a fee of up to 5 percent of gross revenues that would be given to local governments in lieu of the current local cable franchise fees. The Legislature has decided to wait until after the November elections to continue discussions regarding this bill.

### **Special Road Project Monies**

As part of the governor’s 2006/2007 budget package, \$80 million was proposed to assist local government to move forward on certain transportation projects and get greater access to federal transportation matching funds. The Legislature approved the governor’s proposal as Public Acts 139, 140, and 141 of 2006. Michigan Department of Transportation officials are reviewing applications for the rest of the funding and the remaining recipients will be announced later this year.

### **Government Wins Headlee Challenge**

The Court of Appeals upheld a trial court decision in July 2006 (*A&E Parking v. Wayne County Metro*, [COA docket No. 261046](#)) that the Wayne County Airport Authority has the right to charge user fees to the more than three-dozen companies that sued the Airport Authority. The suit against the Airport Authority alleged that the fees charged to hotels, shuttle, and rental car companies and other users of the property that financially benefit from the airport’s location should be deemed illegal taxes under the Headlee Amendment. In rendering their opinion in the Authority’s favor, the Court considered the charges appropriate and not taxes for the following reasons:

- State law permits fees.
- The users such as car rental companies and hotels with shuttles get a benefit from the airport’s existence.
- The fees are not calculated arbitrarily and the users aren’t forced to pay the fees.
- The users could choose to take their business elsewhere and avoid the charge.

Despite the victory, it serves as a great reminder to local governments that fees must meet the tests established in the Bolt Case to avoid the classification of fees as unvoted taxes in violation of the Headlee Amendment.

To the Honorable Mayor and  
Members of the City Council  
City of Novi

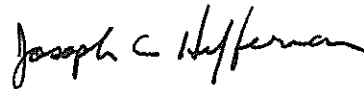
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September 27, 2006

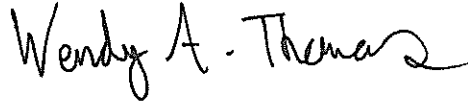
We would like to thank the City for the continued opportunity to serve as your auditors and for the assistance and cooperation that we received from Kathy Smith-Roy, Marina Neumaier, Jeff Hall, the accounting staff, and the rest of the City personnel during the audit. We would be happy to answer any questions or concerns you have regarding the annual financial report and the above comments and recommendations at your convenience

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink that reads "Joseph C. Heffernan". The signature is written in a cursive style with a large, stylized 'J' and 'H'.

Joseph C. Heffernan

A handwritten signature in black ink that reads "Wendy A. Thomas". The signature is written in a cursive style with a large, stylized 'W' and 'T'.

Wendy A. Thomas